

## Olympia & York names Chrysler man as president

Olympia & York, the debt-laden property group, last night named former Chrysler vice-chairman Gerald Greenwald to take over as president and deputy chief executive. The company confirmed it had severed ties with Tom Johnson, who held the president's post for only two weeks.

The appointment came the day bankers voiced reservations about O&Y's plans to reschedule payments on US\$60m of its \$120m debt. Separately, bankers warned there could be conflict between two groups of lenders to O&Y's big London office development. Page 19; Profile, Page 23

**Trade surplus soars** Japan's trade surplus surged to \$88.35bn in the fiscal year to March 31, up sharply from \$64.3bn in 1990-91. The customs cleared surplus for the year was close to 1989's record of \$99.7bn. Page 6

**Political row over Macedonia** Greek prime minister Constantine Mitsotakis yesterday sacked his foreign minister, Antonis Samaras, who strongly opposed Greek recognition of the secessionist Yugoslav republic of Macedonia. Page 18

**Nelson and Winnie Mandela part**  
Nelson Mandela, 73, announced that his 33-year marriage to his wife, Winnie, is to end. He was visibly upset as he read a statement at the headquarters of his African National Congress in Johannesburg, saying: "My love for her remains undiminished." He denied that his separation from his wife was forced by fresh allegations that she was directly involved in killings in Soweto in 1989. Page 5

**Princess seeks divorce** Princess Anne, daughter of Britain's Queen Elizabeth II, is seeking a divorce from Captain Mark Phillips. The couple, who married in 1973, have been separated for more than 2½ years.

**Quake rocks Europe** People living near the Dutch-German border were jolted out of their beds by the strongest earthquake to hit the region since 1756. The quake, measuring 5.6 on the Richter scale, injured about three dozen people and an elderly Bonn woman died of a heart attack. Quake shuts German nuclear plant. Page 3

**Etna's lava creeps onwards** Concrete blocks dropped by helicopter failed to halt the flow of lava from Sicily's Mount Etna as its crest towards the village of Zafferana. The molten lava is moving at the rate of 4-5 metres an hour.

**Starling staged a post-election surge**, moving off the bottom of the European exchange rate mechanism for the first time in five months. It also strengthened against the D-Mark, closing in London at DM2.9150 compared with an opening DM2.8988. Page 18

**War crimes case** A Paris court threw out a case against Paul Touvier, who stood accused of atrocities during the Nazi occupation when he worked alongside German Gestapo chief Klaus Barbie. Touvier was arrested at a monastery in 1989 after a decades-long manhunt.

**Peru plebiscite pledges** President Alberto Fujimori promised his de facto government would hold a referendum "within six months" as a prelude to returning Peru to constitutional rule. Fujimori shuts easy route. Page 4

**Rover car workers have voted narrowly** in favour of Japanese style work practices. The package marks one of the most far-reaching attempts by a non-Japanese carmaker in the UK to increase productivity and change work culture. Page 6

**Bosnia truce fails** Fresh fighting flared in the former Yugoslav republic of Bosnia-Herzegovina despite a European Community-sponsored ceasefire which was to have come into effect at midnight on Sunday. War creates 100,000 refugees. Page 2

**Aetna Life & Casualty**, the biggest shareholder-owned insurer in the US, is negotiating with leveraged buyout specialist Kohlberg, Kravis Roberts over the sale of its American Re-insurance subsidiary. Page 19

**J.P. Morgan**, New York-based banking group, improved first-quarter earnings by 10 per cent to \$29m on strong growth in net interest income and buoyant corporate finance revenues. Page 19; Details, Page 27

**London share services** With effect from today, highs and lows shown on the London Share Service pages and all the related statistical tables will be those attained in 1992 rather than 1991-92 as previously reported.

| The Markets |                  | STERLING  |                    |
|-------------|------------------|-----------|--------------------|
| FT-SE 100   | 2,891.0 (+15.4)  | New York  | 1,702.55 (1,708.5) |
| Yield       | 4.7%             | London    | 1,701.5 (1,704)    |
| FT-SE 200   | 1,152.2 (-2.5)   | Paris     | 2,815 (2,825)      |
| FT-SE 300   | 1,240.5 (+0.7%)  | Frankfurt | 8,825 (8,795)      |
| FT-SE 400   | 1,347.5 (+0.7%)  | Stockholm | 2,875 (2,885)      |
| FT-SE 500   | 1,452.5 (+0.7%)  | Oslo      | 254.75 (254.25)    |
| FT-SE 600   | 1,557.5 (+0.7%)  | Y index   | 91.7 (91.2)        |
| FT-SE 700   | 1,662.5 (+0.7%)  |           |                    |
| FT-SE 800   | 1,767.5 (+0.7%)  |           |                    |
| FT-SE 900   | 1,872.5 (+0.7%)  |           |                    |
| FT-SE 1000  | 1,977.5 (+0.7%)  |           |                    |
| FT-SE 1100  | 2,082.5 (+0.7%)  |           |                    |
| FT-SE 1200  | 2,187.5 (+0.7%)  |           |                    |
| FT-SE 1300  | 2,292.5 (+0.7%)  |           |                    |
| FT-SE 1400  | 2,397.5 (+0.7%)  |           |                    |
| FT-SE 1500  | 2,502.5 (+0.7%)  |           |                    |
| FT-SE 1600  | 2,607.5 (+0.7%)  |           |                    |
| FT-SE 1700  | 2,712.5 (+0.7%)  |           |                    |
| FT-SE 1800  | 2,817.5 (+0.7%)  |           |                    |
| FT-SE 1900  | 2,922.5 (+0.7%)  |           |                    |
| FT-SE 2000  | 3,027.5 (+0.7%)  |           |                    |
| FT-SE 2100  | 3,132.5 (+0.7%)  |           |                    |
| FT-SE 2200  | 3,237.5 (+0.7%)  |           |                    |
| FT-SE 2300  | 3,342.5 (+0.7%)  |           |                    |
| FT-SE 2400  | 3,447.5 (+0.7%)  |           |                    |
| FT-SE 2500  | 3,552.5 (+0.7%)  |           |                    |
| FT-SE 2600  | 3,657.5 (+0.7%)  |           |                    |
| FT-SE 2700  | 3,762.5 (+0.7%)  |           |                    |
| FT-SE 2800  | 3,867.5 (+0.7%)  |           |                    |
| FT-SE 2900  | 3,972.5 (+0.7%)  |           |                    |
| FT-SE 3000  | 4,077.5 (+0.7%)  |           |                    |
| FT-SE 3100  | 4,182.5 (+0.7%)  |           |                    |
| FT-SE 3200  | 4,287.5 (+0.7%)  |           |                    |
| FT-SE 3300  | 4,392.5 (+0.7%)  |           |                    |
| FT-SE 3400  | 4,497.5 (+0.7%)  |           |                    |
| FT-SE 3500  | 4,602.5 (+0.7%)  |           |                    |
| FT-SE 3600  | 4,707.5 (+0.7%)  |           |                    |
| FT-SE 3700  | 4,812.5 (+0.7%)  |           |                    |
| FT-SE 3800  | 4,917.5 (+0.7%)  |           |                    |
| FT-SE 3900  | 5,022.5 (+0.7%)  |           |                    |
| FT-SE 4000  | 5,127.5 (+0.7%)  |           |                    |
| FT-SE 4100  | 5,232.5 (+0.7%)  |           |                    |
| FT-SE 4200  | 5,337.5 (+0.7%)  |           |                    |
| FT-SE 4300  | 5,442.5 (+0.7%)  |           |                    |
| FT-SE 4400  | 5,547.5 (+0.7%)  |           |                    |
| FT-SE 4500  | 5,652.5 (+0.7%)  |           |                    |
| FT-SE 4600  | 5,757.5 (+0.7%)  |           |                    |
| FT-SE 4700  | 5,862.5 (+0.7%)  |           |                    |
| FT-SE 4800  | 5,967.5 (+0.7%)  |           |                    |
| FT-SE 4900  | 6,072.5 (+0.7%)  |           |                    |
| FT-SE 5000  | 6,177.5 (+0.7%)  |           |                    |
| FT-SE 5100  | 6,282.5 (+0.7%)  |           |                    |
| FT-SE 5200  | 6,387.5 (+0.7%)  |           |                    |
| FT-SE 5300  | 6,492.5 (+0.7%)  |           |                    |
| FT-SE 5400  | 6,597.5 (+0.7%)  |           |                    |
| FT-SE 5500  | 6,702.5 (+0.7%)  |           |                    |
| FT-SE 5600  | 6,807.5 (+0.7%)  |           |                    |
| FT-SE 5700  | 6,912.5 (+0.7%)  |           |                    |
| FT-SE 5800  | 7,017.5 (+0.7%)  |           |                    |
| FT-SE 5900  | 7,122.5 (+0.7%)  |           |                    |
| FT-SE 6000  | 7,227.5 (+0.7%)  |           |                    |
| FT-SE 6100  | 7,332.5 (+0.7%)  |           |                    |
| FT-SE 6200  | 7,437.5 (+0.7%)  |           |                    |
| FT-SE 6300  | 7,542.5 (+0.7%)  |           |                    |
| FT-SE 6400  | 7,647.5 (+0.7%)  |           |                    |
| FT-SE 6500  | 7,752.5 (+0.7%)  |           |                    |
| FT-SE 6600  | 7,857.5 (+0.7%)  |           |                    |
| FT-SE 6700  | 7,962.5 (+0.7%)  |           |                    |
| FT-SE 6800  | 8,067.5 (+0.7%)  |           |                    |
| FT-SE 6900  | 8,172.5 (+0.7%)  |           |                    |
| FT-SE 7000  | 8,277.5 (+0.7%)  |           |                    |
| FT-SE 7100  | 8,382.5 (+0.7%)  |           |                    |
| FT-SE 7200  | 8,487.5 (+0.7%)  |           |                    |
| FT-SE 7300  | 8,592.5 (+0.7%)  |           |                    |
| FT-SE 7400  | 8,697.5 (+0.7%)  |           |                    |
| FT-SE 7500  | 8,802.5 (+0.7%)  |           |                    |
| FT-SE 7600  | 8,907.5 (+0.7%)  |           |                    |
| FT-SE 7700  | 9,012.5 (+0.7%)  |           |                    |
| FT-SE 7800  | 9,117.5 (+0.7%)  |           |                    |
| FT-SE 7900  | 9,222.5 (+0.7%)  |           |                    |
| FT-SE 8000  | 9,327.5 (+0.7%)  |           |                    |
| FT-SE 8100  | 9,432.5 (+0.7%)  |           |                    |
| FT-SE 8200  | 9,537.5 (+0.7%)  |           |                    |
| FT-SE 8300  | 9,642.5 (+0.7%)  |           |                    |
| FT-SE 8400  | 9,747.5 (+0.7%)  |           |                    |
| FT-SE 8500  | 9,852.5 (+0.7%)  |           |                    |
| FT-SE 8600  | 9,957.5 (+0.7%)  |           |                    |
| FT-SE 8700  | 10,062.5 (+0.7%) |           |                    |
| FT-SE 8800  | 10,167.5 (+0.7%) |           |                    |
| FT-SE 8900  | 10,272.5 (+0.7%) |           |                    |
| FT-SE 9000  | 10,377.5 (+0.7%) |           |                    |
| FT-SE 9100  | 10,482.5 (+0.7%) |           |                    |
| FT-SE 9200  | 10,587.5 (+0.7%) |           |                    |
| FT-SE 9300  | 10,692.5 (+0.7%) |           |                    |
| FT-SE 9400  | 10,797.5 (+0.7%) |           |                    |
| FT-SE 9500  | 10,902.5 (+0.7%) |           |                    |
| FT-SE 9600  | 11,007.5 (+0.7%) |           |                    |
| FT-SE 9700  | 11,112.5 (+0.7%) |           |                    |
| FT-SE 9800  | 11,217.5 (+0.7%) |           |                    |
| FT-SE 9900  | 11,322.5 (+0.7%) |           |                    |
| FT-SE 10000 | 11,427.5 (+0.7%) |           |                    |

## Russia's reforming government in grip of power struggle

**By Leyla Boulton in Moscow**

THE FATE of Russia's reformist government hung in the balance last night as its power struggle with the parliament reached its final stages.

Cabinet members stormed out of yesterday's session of the Congress of People's Deputies after Mr. Russian Khasbulatov, the ambitious parliamentary Speaker, described the government as "kids who lost their nerve".

Mr. Khasbulatov was taunting the government for its decision to quit unless deputies gave it a vote of confidence and withdrew demands for increased social spending, tax cuts, and a continuation of subsidies for the energy sector.

As ministers accused the Speaker of reneging on a compromise worked out with parliamentary leaders on Sunday, talks resumed behind the scenes to try to find a new agreement. Ministers also said Mr. Khasbulatov was trying to torpedo a deal to keep the government in place.

"It was an attempt by the chairman to ruin an emerging compromise between the executive and legislative powers," said Mr. Alexander Shokhin, a deputy prime minister.

The stakes are high should they fail. If the government carries out its threat - the resignation letter is lying on President Boris Yeltsin's desk - the country faces yet another political upheaval and a new set of economic promises. It would also face the possible withdrawal of a \$24bn western aid package announced only two weeks ago.

Mr. Jacques Attali, president of the European Bank for Reconstruction and Development, said the bank would halt all financial assistance to Russia if the reforms were postponed and sent a message to Moscow urging the government to press on.

A suspension of western aid would further alienate a public exhausted by political squabbling and the hardships of economic reforms already under way.

Having damaged Mr. Yeltsin's standing, the conservative parliament, elected two years ago under an antiquated electoral system, could also find itself in a political vacuum.

In the absence of a developed parliamentary system with strong parties, it remains dependent on individual leaders such as Mr. Yeltsin, who may choose to dissolve the parliament or go to the country with a referendum.

A furious Mr. Yegor Gaidar, the first deputy prime minister, who has masterminded the economic reforms which the west is pledging to help, said: "We expected more responsibility from the deputies for the fate of the country."

In a four-page statement distributed to deputies, Mr. Gaidar said their demands were mutually contradictory, hyper-inflationary and would cause the west to withdraw its promised assistance.

Although his presence has proved decisive in swaying rebellious deputies in the past, Mr. Yeltsin stayed away from parliament yesterday.

He let it be known he would speak only at the end of the congress. This suggested that Mr. Yeltsin is still anxious to avoid a confrontation with parliament if he can.

The pro-Yeltsin Moscow city administration, led by Mayor Gavril Popov, announced it was ready to step down in solidarity with the cabinet.

Mr. Sergei Filatov, first deputy chairman of the Congress, told deputies a resolution was being prepared that could break the deadlock by voicing political support for the reforms.

"Sometimes we approve things that are not very well thought out," Mr. Filatov said of the surprise vote by Congress on Saturday to clip Yeltsin's powers. But ministers said the compromise draft, expected to be introduced on Tuesday, did not go far enough.

Moscow aims for foreign investment. Page 2  
EBRD threat. Page 2  
World stocks. Back Page, Section II



Neil Kinnock announces his resignation as leader of Britain's Labour party following its general election defeat. Page 7

## UK insurers face £1bn claims after IRA bomb in London

**By Financial Times reporters**

BRITISH INSURERS, already incurring the worst losses in their history, could face claims of up to £1bn (\$1.75bn) as a result of damage to the City of London from an Irish Republican Army car bomb on Friday night. Three people were killed and 91 were injured in the explosion.

Britain's leading five composite insurers, who reported pre-tax losses of more than £1.2bn in 1991 and £500m in 1990, will be among those hardest hit.

A total of 200 buildings in London's financial centre were damaged, with 100 badly affected. The damage and associated losses amounted to up to £300m and the replacement of glass would take a month or more to complete. Business interruption losses, against which most companies insure themselves, will swell the total. Some London brokers believe overall claims could reach £1bn.

The Corporation of London, which governs the City, claimed victory in its battle to protect London's reputation as a world financial centre.

Within 60 hours of Friday's bomb, the corporation had contacted nearly all the 36 companies known to require temporary offices and helped to arrange relocation. Yesterday morning at 9.30 virtually all were operating. Some companies hit by the bombing were able to trade out of new premises because duplicate computer records were stored away from main offices.

The Baltic Exchange, the shipping market whose headquarters was wrecked by the IRA bomb, pledged to restart market trading tomorrow in the Lloyd's of London building. It plans to reconstruct its ornate Edwardian building in its original style.

The exchange, which arranges most of the world's freight chartering and more than half of worldwide ship sales, was even able last night to publish its Baltic Freight Index, the futures index which is recognised worldwide as a barometer of the freight market.

Staff at James Capel, the securities house owned by Hongkong and Shanghai Bank, worked through the weekend to construct a replacement dealing.

Continued on Page 18  
Details, Page 8

## Cathay order for Boeings boosts R-R

**By Paul Betts in London and Simon Holberton in Hong Kong**

CATHAY PACIFIC, the Hong Kong-based airline, placed firm orders yesterday for 11 Rolls-Royce-powered Boeing 777 wide-body aircraft worth \$1.7bn with options to acquire an additional 11 airliners which would take the order to some \$3.4bn.

The deal is a significant boost for Rolls-Royce, currently engaged in a fierce competition against Pratt & Whitney and General Electric of the US for a large slice of the new Boeing 777 widebody market, and for Boeing, which is seeking to expand the customer base for its latest aircraft programme.

Rolls-Royce said the order for its heavy-thrust Trent engines to power the Cathay Pacific Boeing 777s was worth about \$500m.

The order comes when the civil aviation industry is still struggling to recover from the slump caused by the recession and the Gulf war. Rolls-Royce has undergone widespread restructuring in the past two years with the loss of about 7,000 jobs throughout the group. But the latest deal is unlikely to have any impact on employment at Derby where Rolls-Royce produces its commercial aircraft engines.

Sir Ralph Robins, Rolls-Royce chief executive, said the company would continue to keep a firm grip on costs and productivity to maintain its competitive edge against its US rivals.

The UK engine maker powers the entire fleet of Cathay Pacific jets but Sir Ralph said his company had faced tough competition from Pratt & Whitney and GE.

The order is particularly important for Rolls-Royce because it has given the UK manufacturer a strong position in the market for heavy-thrust engines to power the new generation of widebody aircraft being developed by the main airliner manufacturers.

Including Boeing, Airbus and McDonnell Douglas, Rolls-Royce is investing about \$400m (\$688m) in developing the heavy-thrust Trent variant of its RB211 engine family.

Rolls-Royce lost last year to GE in the contest for a British Airways engine order for new Boeing 777s but the Cathay Pacific deal has given the UK manufacturer a 28 per cent share of the engine business of the 777.

Rolls-Royce has already won orders from Emirates, the Dubai airline, and Thai International Airways for its Trent engines to power 777 airliners. Sir Ralph indicated that the Cathay Pacific order could boost Rolls-Royce's prospects in the competition to supply the engines for 777 airliners already ordered by Japan Air Lines.

The order is the single largest announced by Cathay Pacific. The airline is acquiring the Boeing 777s to replace its fleet of older Boeing 747-200 and 747-300 four-engine jumbos. The first firm 777s will be delivered to the Hong Kong airline in 1996 and will extend to the end of 1998. If all options are exercised, deliveries would continue through 2000.

Boeing said the order brought to 99 the number of firm commitments for its 777 airliner with options for an additional 86 aircraft.

Cathay Pacific played an important part in the final configuration of the 777 programme which Boeing launched in October 1990. It was the Hong Kong airline that requested the 777 fuselage to be wider than originally planned to provide more passenger comfort and seating flexibility.

Mr. David Gledhill, Cathay Pacific's chairman, said the order reflected the company's continued commitment and confidence in the future of Hong Kong.

Cathay Pacific is also among the airlines discussing with airframe manufacturers the development of a new ultra large 800-850-seat aircraft. Demand for a super jumbo is expected to be particularly strong in the Asia-Pacific region towards the end of this century.

## Hanson sells Ever Ready of Britain to Ralston Purina

**By Roland Rudd in London and Nikki Tait in New York**

HANSON, the Anglo-US conglomerate, has sold Ever Ready, the UK dry cell battery manufacturer, for \$132m (\$227m) to Ralston Purina, the diversified US-based food group.

The move was described yesterday by one of Hanson's financial advisers as a "tidying-up exercise" before making a larger acquisition.

Ralston's purchase of Ever Ready, a brand it already owns in most countries outside the UK, confirms it as the world's largest manufacturer of dry cell batteries, adding annual sales of about \$154.1m to the \$1.6bn which its existing battery division reported for the year to September 30.

One of Hanson's financial advisers said: "This is a tidying-up exercise aimed at providing the group with more cash to enable it to pounce on the next big target. I think Hanson will now look to sell its 2.8 per cent shareholding in ICI before making its expected big acquisition."

In the long-running debate over Hanson's ability to run companies, the group's actions at Ever Ready have given ammunition to supporters and critics alike.

When Hanson bought Bercel (which included Ever Ready) in 1981 its profits had declined to a third of their 1970s peak, partly because it had missed the shift to alkaline batteries.

Hanson ruthlessly cut costs and sold assets, including most of the European operations to Duracell, its US competitor. The disposals realised half the purchase price of \$96m. Operating profits rebounded to a peak of \$23.4m in 1989 but fell back to \$18.5m in 1991 on sales of \$27.1m.

But Hanson came to realise during the late 1980s that Ever Ready could only flourish as a multinational business. Mr. Martin Taylor, vice-chairman, said yesterday the group had examined buying Duracell, the Connecticut-based battery manufacturer, from Kohlberg Kravis Roberts, the Wall Street firm which had taken it private in a 1988 leveraged buyout. Ralston had bought Eveready, the US-based owner of the famous brand name, from Union Carbide for \$1.4bn. Hanson has since had talks about buying the business from Ralston but to no avail.

Ralston Purina, whose market share in UK was previously around 3 per cent, claims that its purchase of Ever Ready from Hanson "fills a major gap" in its geographical coverage. Its share of the \$30bn US market is roughly equivalent to that of Duracell, its major rival, but Ralston has steadily enhancing its European presence.

It bought France's Cofinea - which controls the Mazda and Wonder brands - in 1988, and the Spanish Tudor brand in January this year. Ralston claims that, after the Hanson deal, it leads the European market.

Lex, Page 18  
Background, Page 19  
Observer, Page 17



INVESTORS  
IN  
INDUSTRY

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## NEWS: EUROPE

# War in Bosnia displaces over 100,000 people

By Laura Silber in Belgrade

AT LEAST 100,000 people have been displaced by the fighting in Bosnia-Herzegovina, the newly independent republic, adding to the 1m people who fled the war in Croatia.

The flight continued yesterday as fresh clashes were reported in Sarajevo, the Bosnian capital, and other towns in the republic, despite the ceasefire agreed on Sunday among the leaders of Bosnia's 4-1m Muslims, Serbs and Croats.

Radio Sarajevo said the federal army had reported 11 violations of the most recent European Community-sponsored truce by mid-morning. Heavy fighting was reported on the outskirts of Sarajevo, in Foca, a predominantly Muslim town in south-eastern Bosnia, and in Bosanski Brod, in the north.

Ms Judith Kumin, the Belgrade representative of the United Nations High Commissioner on Refugees (UNHCR), said that although it was difficult to get a precise figure, she estimated that at least 100,000 people had fled strife-torn towns in Bosnia. Some had

escaped to other existing or former Yugoslav republics, while others were still in Bosnia, sheltering away from the trouble spots.

The UNHCR, the Red Cross and other international organisations are all trying to cope with the thousands of refugees who fled their homes. Encouragingly, relief workers tell of communities making great sacrifices in order to give shelter to refugees despite the fact that they are in a difficult economic situation and have already taken in thousands of people from Croatia.

Aid workers trying to deliver food and medical supplies are confronted by gunmen at road blocks around many towns. Ms Kumin said: "The biggest problem is transportation. It is very expensive to get lorry drivers to go into Bosnia while there is fighting. They insist on UN escorts which makes the cost even higher."

Muslims and Serbs, escaping last week across the River Drina into Serbia, walked together carrying plastic bags containing their belongings. They all appeared to blame the nationalist politicians for the collapse of their lives.

# Italian railways get tough on strikers

By Robert Graham in Rome

THE management of Italy's loss-making state railways, FS, has carried out a threat to deny pay increases to employees responsible for unauthorised industrial action.

The threat had its desired effect of limiting the number of engine drivers who carried out a 24-hour strike over the weekend.

This tough stance by Mr Lorenzo Necchi, head of the FS, may mark a watershed in industrial relations in sensitive sectors such as transportation, where workers have traditionally been able to hold the public and employers to ransom. Mr Necchi was brought in almost two years ago to run the FS on an emergency basis.

To limit the impact of transport strikes on the public, the government has increasingly invoked new powers, introduced in July 1990, to enforce minimum services; but this is the first occasion when strikers have been penalised through the pay packet. According to the FS at least 60 per cent of the trains were able to run normally.

The strike was called by a rebel drivers union which refused to accept a wage and work conditions contract negotiated for all railway employees by the three main trades union confederations. The latter have backed Mr Necchi's action.

The rebel train drivers want higher wage packets than those already negotiated on their behalf and fear a deal behind their backs to introduce single driver trains.

Facing cuts in government funding of the railways and under pressure to raise productivity and achieve profitability, the FS management has little option but to dig in its heels. The FS has accumulated debts approaching L50,000bn.

Losses last year were L3,625bn despite total state transfers of over L12,000bn. The main problems faced by Mr Necchi are an inflated payroll, the lowest passenger fares in Europe and uncompetitive freight business.

Jacques Attali ties bank's assistance to continuance of economic reforms

# EBRD threatens to stop help for Russia

By Judy Dempsey in Budapest

THE European Bank for Reconstruction and Development will halt all financial help to Russia if economic reforms are postponed.

Mr Jacques Attali, the EBRD president, said yesterday in Budapest.

Speaking at the bank's first annual meeting, he said western assistance should go only to those governments "able to demonstrate that they have embarked upon the right road to reform. It is to be hoped that the political conditions in Russia will be such as to allow resources to be released."

The opening session of the meeting was also marked by further disagreement between the US and the EBRD over the scope of the bank's activities.

In referring to western help for Russia, Mr Attali had in mind the \$18bn - in addition to the \$6bn earmarked for a stabilisation fund - recently announced by the Group of Seven industrial countries. "But we would halt all our

operations too," he said. The EBRD has so far backed two loans to the former Soviet Union, which total Ecu28.8m (\$36.43m).

Even if Russia kept to the reform path, Mr Attali warned, that all the countries of the former Soviet Union, and of eastern Europe, required extra financial help totalling Ecu4,000bn from the west.

He said this would help ensure the region's balance of payments requirements, finance the privatisation of viable enterprises, boost export industries, convert the defence

tax concessions granted to the plant encouraged unfair competition. EBRD merchant bankers said they were surprised by the politicisation of the credit decision and that the dispute, although resolved, served as a warning.

The pressure exercised by western member countries raised doubts about the independence of the EBRD and its ability to make credit and investment decisions on primarily commercial criteria which its charter stipulates.

Mr Jacques Attali, the EBRD's president, yesterday launched a broader attack on EC hypocrisy in protesting about support to eastern Europe and at the same time blocking imports. He was scathing about the EC's recent association agreements with Poland, Czechoslovakia and Hungary, which he said denied access for nearly half the three countries' products.

Mr Attali yesterday proposed setting up a special restructuring facility aimed at converting the military-industrial sector in the former Soviet Union (which directly, and indirectly, employs 12m) and at restructuring the Russian nuclear power industry.

Many EBRD member countries see the need for some form of soft loans for these

industries, but the US remains opposed. The bank's board agreed to look into the proposal, in a move to avoid further dispute.

Mr Brady, who later flew to Moscow, said: "We are not convinced of the need (for the bank) to branch into new restructuring operations involving major policy changes that detract from the bank's main mission. The EBRD cannot cover the entire range of needs; it cannot be all things to all people; it cannot hope to cover all sectors, both private and public, in all countries."

Germany and the former Soviet republic of Georgia set up diplomatic ties yesterday during a visit by Mr Hans-Dietrich Genscher, the German foreign minister, local journalists said, Renter reports.

The agreement was a diplomatic coup for the new chairman of Georgia's ruling state council, Mr Eduard Shevardnadze, the former Soviet foreign minister, who is trying to build diplomatic bridges with foreign states and attract western business. Germany will be the first western nation to open an embassy in Georgia and will provide humanitarian aid.

# Moscow aims for foreign investment

By John Lloyd in Moscow

FOREIGN investment will be encouraged under a programme spelling out the conditions for privatising most of Russia's vast state property holdings. The programme also gives extensive privileges to workers in the enterprises being privatised, but tries to end the process of "spontaneous" privatisation, under which enterprises are transferred to their workforces without government permission.

The plan, thrashed out over the first months of this year, is now ready for adoption by the government and signing by President Boris Yeltsin. But the efforts of the Russian Congress to derail economic reform are delaying progress.

The aim of the programme is to cut through the various laws governing privatisation

and enterprises by setting out practical steps to be taken by authorities at all levels.

There will be no restraints on foreigners buying privatised property in most industrial sectors - including electronics, engineering, construction, textiles and others. In the most lucrative fields - oil and gas enterprises, gold and diamond production and the high-technology defence sector which accounts for much of the civilian electronics output as well - a licence will be required from the Committee for Foreign Investments.

Foreigners can also take part in auctions to buy shops and small businesses employing fewer than 200 people and with assets of under Rblm, but only with the permission of the local authorities. Open auctions of small businesses are now going on in Nizhny Nov-

gorod, Russia's third biggest city, though no foreigners are participating so far.

The programme says transactions must be made in rubles; it does not say at what rate, but that the rubles used shall be "taken from special accounts". The Russian government and central bank are discussing setting a special rate much higher than the official Rbl100 to the dollar to stop foreigners buying assets at rock bottom prices.

Ministers and officials working on the privatisation proposals are aware of public hostility both to privatisation as a whole and to selling assets to foreigners. However, they want as few restrictions as possible in order to draw in foreign capital desperately needed to renew infrastructure and upgrade production machinery. Goldman Sachs, the US mer-

chant bank, has been hired to help the government identify projects and sectors most promising for foreign investment. Officials have stressed that they want to simplify and speed up investment procedures as far as possible. This will partly involve re-establishing the authority of the central government in order to cut through the layers of local and regional bureaucracy.

The programme lays out two options for sweetening the pain of job losses involved in privatisation: workers could either receive 25 per cent of non-voting shares in the enterprise while buying 10 per cent of the voting shares at a hefty discount, or they could be given the right to buy up to 51 per cent of the share capital of the enterprise. The workers could then sell on these shares without restrictions.

The Financial Times (Europe) Ltd. Published by The Financial Times Group, 100 Brook Street, London W1A 2LU. Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman, D.F. Palmer. Main shareholders: The Financial Times Limited, The Financial Times Group Limited. Publishing director: J. R. Kelly. 100 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lamb. Managing Director: DVM GmbH-Hilfsmittel International, 6078 Neu-Isenburg A. Frankfurt. Responsible editor: Richard Lamb. Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman, D.F. Palmer. Main shareholders: The Financial Times Limited, The Financial Times Group Limited. Publishing director: J. R. Kelly. 100 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lamb. Managing Director: DVM GmbH-Hilfsmittel International, 6078 Neu-Isenburg A. Frankfurt. Responsible editor: Richard Lamb. Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

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# COMMERCIAL UNION plc

## Important Notice to Shareholders Annual and Extraordinary General Meetings Adjournment To Different Venue

Shareholders will be aware that the Annual and an Extraordinary General Meeting of the Company have been convened for Tuesday 14th April 1992 at the Queen's Room, Baltic Exchange, St. Mary Axe, London EC3, to commence at 12 Noon and 12:15 p.m., respectively.

As a result of bomb damage and possible danger to the public it will be necessary to adjourn both meetings to a different location.

Shareholders are therefore advised that the meetings will be opened at the times stated in the notice of meeting for the sole purpose of the adjournment thereof. All other business will be transacted at the adjourned meetings, which will be held at:-

THE PORTER TUN ROOM, THE BREWERY,  
CHISWELL STREET, LONDON EC1

The adjourned Annual General Meeting will commence at 2:00 p.m. on Tuesday 14th April 1992 and the adjourned Extraordinary General Meeting will commence at 2:15 p.m. or as soon thereafter as the business of the Annual General Meeting shall have been concluded.

Shareholders are requested to direct any enquiries to the Commercial Union Shareholder Relations Service on 071-283 7500 extension 28866.

K.N. Grant Secretary



## NEWS: EUROPE

## Red Army Faction ends its war

By Christopher Parkes in Bonn

The Red Army Faction (RAF), Germany's much-feared urban terrorist group, claimed yesterday it was giving up violence in its 20-year-old war on the west German establishment.

"We have decided to withdraw from the escalation. That means we will now stop attacks on leading representatives of business and state," the RAF said in a letter delivered to the Bonn office of the French news agency, Agence France Presse.

The offer of peace came just over a year after an RAF sniper shot dead Mr Detlev Rohwedder, president of the

Treuhand privatisation agency, through a window at his home in Düsseldorf. In July 1990, Mr Hans Neusel, responsible for security in the interior ministry, narrowly escaped a bomb attack. A year earlier, Mr Alfred Herrhausen, chief executive of Deutsche Bank, was killed by a car bomb on his way to work.

The letter, which officials said bore the hallmarks of earlier "official" communications, added that the RAF felt it necessary to think over where it had gone wrong. Violence had weakened, rather than strengthened its political support.

Mr Klaus Kinkel, justice minister, said it was "hearten-

ing and hopeful that the RAF for the first time wants to turn away from violence". The government was ready for reconciliation within certain constraints.

It is not certain, however, that the authorities would be prepared to go as far as freeing imprisoned members of the RAF, as demanded in the letter. The note warned that violence would resume if the state "does not allow us, fighting for a humane society, to live".

Security officials were guarded in their response, since there was no way of knowing if the letter represented the views of all members of the organisation.

The RAF, committed to an

armed struggle against imperialism" and mobilising the masses for revolution, is a shadowy extreme left-wing movement modelled on Latin American urban guerrilla groups.

Rooted in the Baader-Meinhof group, formed after the student revolts of the late 1960s, its philosophies seem to have lost any appeal they might have had to youth disenchanted with the capitalist system.

During the late 1980s, several members decided to leave the group and went to the former East Germany, helped by the Stasi security police. They have since been returned to the west German authorities.



Attempts to save the village of Zafferana from volcanic lava advancing down Sicily's Mount Etna - above - suffered a setback yesterday when concrete blocks lowered from helicopters failed to stem the tide

## Post-communist job market devastated by economic realities

## East German workforce slashed

By Christopher Parkes in Bonn

AT the end of 1989, when it was still widely rated to be among the world's top 10 economies, the German Democratic Republic boasted a workforce of almost 10m. Since unification with the west in October, 1990, that number has shrunk to 6m and some 1.4m of those are officially unemployed. At least 1m more are on short-time, or labour in work creation schemes paid for out of the federal budget.

Unleashing market forces has worked to devastating effect on the basic inefficiencies of the old command economy. And there the process has all but stopped.

"So far massive transfers and support measures have failed to spark the expected powerful, self-supporting, recovery process," west Germany's five leading economic institutes reported yesterday. In the first overall independent view of conditions in the east, the institutes accept the conventional view that the bottom has been reached - after a 14 per cent fall in output in 1990 and a 30 per cent nose-dive last year.

But they also underline the weaknesses of the new foundations. The number of new company registrations has fallen

| GERMAN ECONOMIC INDICATORS |              |      |      |              |       |       |                  |      |      |    |    |
|----------------------------|--------------|------|------|--------------|-------|-------|------------------|------|------|----|----|
| Years                      | West Germany |      |      | East Germany |       |       | Federal Republic |      |      |    |    |
|                            | 89           | 90   | 91   | 89           | 90    | 91    | 89               | 90   | 91   | 92 | 93 |
| GDP (% change)             | 4.5          | 3.1  | 1.0  | -14.4        | -30.3 | -10.5 | 2.7              | 0.1  | 1.5  |    |    |
| Workforce (m)              | 23.4         | 23.1 | 23.4 | 5.8          | 7.1   | 8.1   | 37.2             | 38.2 | 38.5 |    |    |
| Unemployment (%)           | 1.8          | 1.8  | 1.7  | 0.2          | 0.9   | 1.3   | 2.1              | 2.5  | 3.1  |    |    |
| Prices (% rise)            | 2.6          | 3.6  | 3.75 | 0.2          | 13.6  | 12.0  | 2.3              | 4.7  | 5.0  |    |    |

Source: "1990, 1991, 1992"

from 25,000 a month at the end of 1989 to around 20,000 now. Company failures, meanwhile, have risen from 6,000 to 10,000 a month. Net growth in the number of independent businesses slowed to 1.5 per cent in the first quarter of this year. Less than 80 per cent of newly-registered companies are actually doing business, the institutes said in their spring review, presented to the government yesterday.

The Treuhand, the agency responsible for privatisation of former state holdings, is given credit for its successes so far. Chopping up large combines into smaller units has resulted in a sixth of all sales so far being made to management buy-out teams. Increased marketing efforts outside Germany led to 74 companies being sold to foreigners in January and February, compared with 248 in the whole of last year.

However, the agency still has

around 8,000 businesses to dispose of, and, according to the report, the sale of up to 90 per cent of these is blocked by uncertainty over their ownership. While attempts are being made to speed up processing claims from people dispossessed by the Nazis and, later, the communists, the report stresses that shortages of expert manpower are still hampering progress. So far, only 5 per cent of the 3m claims put in for companies, land and buildings have been cleared.

Meanwhile, the death toll mounts. By the end of last year Treuhand had closed 983 hopeless-case businesses. Another 1,000 are scheduled for the same this year.

Builders, aggregate and cement makers, suppliers of reinforcing steel and construction equipment, have all benefited from the rebuilding boom which will be largely responsible for this year's expected 10.5

per cent increase in east German economic output. But the institutes report either no improvement or deterioration in other once-vital industries such as iron production, foundries, precision engineering and textiles. "Overall, the manufacturing sector... still faces serious adaptation problems," they say.

But if the east faces "adaptation" difficulties, so too does the west. As the institutes make clear, pay and public spending in the old west Germany cannot continue to rise without stark consequences: first for recovery in the east and ultimately for the country as a whole.

Of the DM185bn (£54.30bn) in financial transfers from the west's public purse this year, just DM2.5bn will come directly from the coffers of the individual states. According to the institutes, federal spending should be frozen in real terms, local authorities over-stepping the mark must be reined in with "fines". Tax cuts and other fiscal concessions should be paid for by savings elsewhere. People in the west must expect less real pay. Those in the east must disregard member-hungry western unions which just after unification negotiated deals promising most of them wage parity by the end of 1994.

## Earthquake shuts German nuclear plant

By Andrew Hill in Brussels

A REACTOR block in the Biblis nuclear power station in the state of Hesse was closed "as a security precaution" yesterday after an earthquake before dawn shook a huge area around the Dutch-German border, writes Christopher Parkes.

Widespread damage and panic was reported after the 15-second shock. Unusually powerful for western Europe, it measured 5.5 on the Richter scale.

Although the Biblis reactor was believed not to be severely damaged, many houses in the area around the epicentre, Roermond in The Netherlands, were expected to be declared unsafe and demolished.

Reports of injuries, mainly caused by falling masonry and roof tiles to people running out into the streets, suggested around 50 people had been hurt. One elderly woman in Bonn was reported to have died of a heart attack.

## Brussels to launch £609m programme to boost HDTV

By Andrew Hill in Brussels

THE European Commission is today expected to approve an Ecu850m (£609m) action plan to encourage European wide-screen television services, the first step towards full high-definition television (HDTV).

Mr Filippo Maria Pandolfi, the telecommunications commissioner, and Mr Jean Dondeinger, responsible for audiovisual affairs, aim to persuade commissioners that broadcasters, satellite operators and manufacturers need financial

incentives if they are to back wide-screen television.

Final approval of the five-year financial package will be up to member states. Telecommunications ministers have already decided on a liberal strategy to meet the challenge of US and Japanese competition.

Last year they agreed on a compulsory EC transmission standard for new satellite TV services - tied to a wide-screen format - but safeguarded existing services broadcast in other standards.

About a quarter of the Ecu850m incentive money would be earmarked for programme-makers, and the rest would help develop the technology.

Officials said the cash would not involve direct manufacturing subsidies, and would be weighted towards the beginning of the five-year period.

The Commission and industry representatives are still negotiating a parallel industrial strategy, based on a legally-binding memorandum of understanding.

## Spanish inflation rises in March

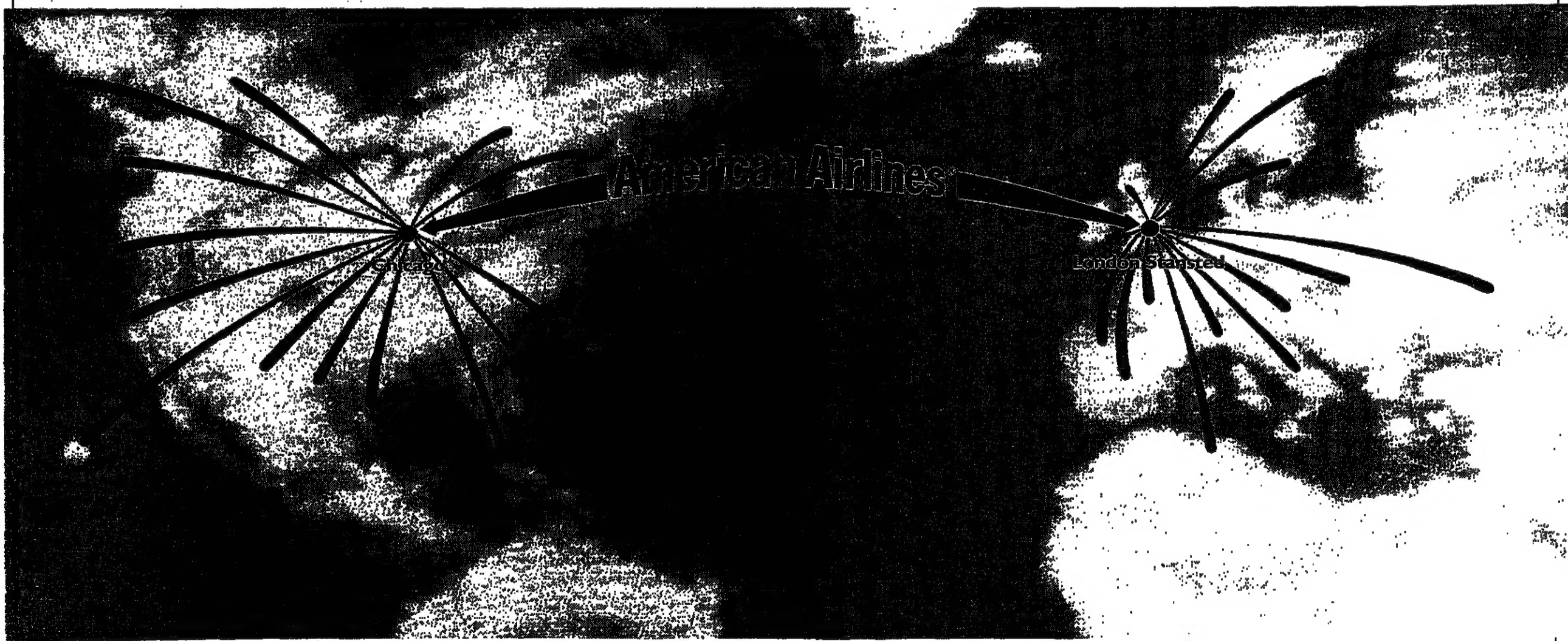
Spain's 0.4 per cent rise in the consumer price index (CPI) for March was better than expected and could pave the way for easier interest rates but the government will be hard-pressed to meet its 5 per cent

target for the year, economists said. Reuters reports from Madrid.

The March rise gave a year-on-year rise of 6.9 per cent, up on February's 6.8 per cent. Many analysts had expected

this rate to accelerate to 7 per cent with a month's rise of 0.5 to 0.7 per cent.

The figure was additionally positive because it included the annual adjustment for government-controlled rents.



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## NEWS: AMERICA

# Brown outlines his terms for election support

By Jurek Martin, US Editor, in Washington

MR Jerry Brown, former governor of California, yesterday denied he was ready to endorse the presidential candidacy of Mr Bill Clinton, the favourite for the Democratic party's presidential nomination.

Over the weekend Mr Brown repeated what he said immediately after last Tuesday's New York primary election - that he would offer his support to the nominee. This was interpreted as an implicit recognition that he could not catch Mr Clinton in the remaining primaries.

However, he is now attaching terms to that support, specifically acceptance of strict limits on financial support - Mr Brown only takes sums of up to \$100 from individual contributors - and agreement to work for the populist initiative limiting the terms of elected officials.

He added he did not think the governor of Arkansas would win the nomination. "The latest polls show him slipping precipitously behind President Bush," he said. "We're going to fight for a fair and open convention."

Mr Clinton returned to the campaign trail after taking a

rest ordered by his doctors to relieve an overworked voice. He did so comforted by news from the latest Virginia caucuses, which showed him winning more than half the state's delegates compared to about a third for an uncommitted slate and only 15 per cent for Mr Brown.

He also continued to pick up useful endorsements from, among others, Congressman Richard Gephardt of Missouri, who ran for the nomination in 1988, and Governor Jay Rockefeller of West Virginia, considered a possible candidate this year.

Both men have been mentioned as possible alternatives to Mr Clinton in the event of a brokered convention in New York in July.

Meanwhile, Mr Paul Tsongas, repeating that he will not release the 528 delegates he has already won and any more he gets in the future, said he still wanted the party to take on board his "fiscally responsible" economic policies. He hinted he might launch a bipartisan initiative to this end with Senator Warren Rudman, the New Hampshire Republican who announced his resignation last month and complained of Washington's inability to deal with the budget deficit.

Mr Clinton returned to the campaign trail after taking a

# US gene research supremo resigns

By Danny Green

SUPPORTERS of controversial efforts to patent human genes won a victory at the weekend with the resignation of Mr James Watson as head of the US government's human gene research project.

Mr Watson, a Nobel prize winner for his part in discovering the DNA double helix, is an outspoken opponent of patent attempts to patent pieces of human genes.

The issue has divided scientific communities in the US, Japan and Europe which are mapping all 100,000 genes in the human body. At stake is the potential for billions of dollars of revenue from buyers of genetic information, such as drug companies.

Mr Watson was director of the Human Genome Project, the Washington-based federal research organisation. The project is part of the National Institute of Health (NIH), the US federal agency which is spending more than \$150m (£87.2m) a year on the 10-year programme. The EC and Japan are each putting in about one fifth as much again into the same project at local research establishments.

Mr Watson's resignation comes at the same time as an inquiry by the NIH ethics officer into a potential conflict of interest because of his shareholdings in biotechnology companies. However, many fellow scientists believe he left because of policy differences with Ms Bernadine Healy, who became director of the NIH last year.

Mr Watson handed in his resignation on Friday saying it would allow Ms Healy "to appoint her own director" of the genome project.

The debate over the patenting of human genes reached a head last summer after a US laboratory filed 347 patents for pieces of human DNA. The filings were done under the auspices of the NIH.

"Virtually all scientists have opposed this," said Sir Walter Bodmer, president of Human Genome Organisation.

# Futures trading in Chicago stopped by flood

By Barbara Durr in Chicago

A FLOOD halted trading at Chicago's two futures markets yesterday and thousands of office workers had to be moved out. The reason for the flood was not immediately confirmed, but it was thought construction workers may have accidentally broken through a tunnel under the Chicago River. The river, which flows through the city centre, poured into pedestrian subways and the

underground rail system, cutting off power supplies and flooding offices.

Electricity was cut off in about a third of the city's business section known as the Loop. The mass transit system was paralysed in the centre of town and the City Hall was flooded.

Officials said a construction crew may have punched a hole in a passage-way of Chicago's nearly century-old 50-mile tunnel system. Water was rising at about two feet an hour, they said.

Trading was halted at the Chicago Board of Trade and the Chicago Mercantile Exchange, the world's two largest futures markets, and city officials called for an evacuation of the entire Loop area.

The Army Corps of Engineers and emergency crews were trying to halt the flow. Officials said they hoped to close locks leading into Lake Michigan to lower the river level. Officials said it was unclear how quickly the floods

could be cleared.

The city's tunnel system is used both for subway transit systems and pedestrian passageways connecting buildings. The pedestrian tunnels are used by many office workers as Chicago's notoriously inclement weather makes walking above ground unpleasant.

The Chicago Board Options Exchange, the largest US options exchange, managed to remain open throughout the morning.

# Fujimori shuns easy route for revolution

Peru's president faces a tough task despite his absolute powers, writes Leslie Crawford

PRESIDENT Alberto Fujimori's overthrow of democracy in Peru last week was not just another textbook Latin American coup.

First, Mr Fujimori is not a puppet of power-hungry generals. It is becoming clear he plotted for months with an inner circle of advisers before striking down Congress and the judiciary on April 5. "This was a palace decision, with the military brought in at the last moment," an ambassador in Lima says.

Secondly, the coup was bloodless and there were only a handful of arrests. Press censorship was lifted after 48 hours. The president is basking in opinion polls giving him more than 70 per cent support, and few Peruvians appear to be mourning democracy's demise.

Yet the events in Peru pose a moral and policy dilemma for an international community contemplating sanctions against Mr Fujimori's military-backed dictatorship.

No one could fault his stated objectives: to rid his country of terrorism, drug trafficking and corruption. What is open to question is whether Mr Fujimori, as he claims, had no option but to shut down Congress and the judiciary and whether he can succeed in his aims, having taken absolute power.

The Organisation of American States (OAS), which met yesterday in Washington, hopes to turn back the clock by sending a diplomatic mission to Lima to reconcile Mr Fujimori and the disbanded Congress. The mission is unlikely to succeed, but it will buy time for the US as it weighs the political costs of isolating Peru

MR James Baker, US secretary of state, yesterday warned President Alberto Fujimori that the US would not accept the destruction of democracy in his country, but stopped short of recommending economic sanctions, writes George Graham in Washington.

"The US understands the difficulties that Peru has faced and is facing; both the economic difficulties and the security difficulties. But having said that, I think we have to recognise that you do not destroy democracy in order to save it," Mr Baker said.

He was speaking ahead of a meeting in Washington of the Organisation of American States to discuss what action to take over Mr Fujimori's decision last week to suspend Peru's constitution.

The OAS was expected to hear both Mr Augusto Blatter, Peru's foreign minister representing the Fujimori government, and vice-president Maximiliano San Roman, who has joined the opposition to the president.

and withdrawing its anti-narcotics agents and military advisers.

The hiatus will also give Mr Fujimori a breathing space in which to persuade creditor nations, the International Monetary Fund and World Bank that his "emergency government" is merely temporary. He will be sending Mr Carlos Boloña, his finance minister, and other members of his cabinet on a world tour to plead for resumed aid flows, which are pivotal to the economic stabilisation programme.

Many doubt whether Mr Fujimori will stick to his two-year timetable for the restoration of democracy. "Fujimori planned this coup almost from the day he was elected," says an intelligence officer close to the president. "It will be more like 18 years before he relinquishes power."

The president owes little to the political class he has overthrown or to the business establishment now trying to win his favour. He is an outsider, the son of Japanese immigrants whose rallying call of "austerity, probity and sacrifice" struck a chord with millions of Peruvians desperate for change.

The coup was forged with a campaign to discredit judges and politicians. In this the president needed little help; most Peruvians already believed judges to be corrupt and Congress irrelevant. He then nurtured the armed forces, promoting officers loyal to him and raising salaries.

"Fujimori then deliberately engineered a crisis with Congress," says Mrs Lourdes Flores, a deputy of the conservative Popular Christian party. "He refused to negotiate draft laws with the opposition and, lacking a majority in parliament, took every amendment as a personal insult."

The president accused Congress of busting the 1992 budget and sabotaging his economic reforms. In fact the Conservatives and the left offered little effective opposition to reforms.

"How can a president who issued more than 83,000 norms and decrees in 22 months accuse Congress of obstruction?" asks Mrs Flores.



Alberto Fujimori: given breathing space by hiatus

The timing of the coup - a day before parliament was due to resume work after its summer recess - appears to indicate that Mr Fujimori feared a more hostile opposition led by Mr Alan García, Peru's former president and leader of the American Popular Revolutionary Alliance (Apra), the largest party in Congress. Mr García is now in hiding.

It is unclear how the new regime will aid the military's 12-year war against Sendero Luminoso (Shining Path) Maoist guerrillas. Emergency pow-

ers already give the armed forces freedom of action over 40 per cent of Peru's territory. The real constraint comes from a chronic shortage of resources - a situation exacerbated by the suspension of US military aid.

The armed forces may take comfort from Mr Fujimori's pledges to reform the judicial system. The government says that judges, intimidated by the Sendero Luminoso, have freed thousands of guerrilla suspects.

But while Mr Fujimori says he will sack "corrupt" judges, he has said nothing about stopping Sendero vengeance.

He has also announced measures to crack down on Peru's drugs trade. But while the armed forces remain his main ally, Mr Fujimori might be reluctant to purge military officers known to be involved in the drugs business.

Like most authoritarian leaders, he boasts of leading a "popular revolution" that will build "a new democracy". As a technocrat, he admires the economic transformation wrought by Gen Augusto Pinochet in Chile.

His success will depend on winning the war against Sendero and drugs, and on the continued backing of creditor nations and multilateral agencies. On all three counts Mr Fujimori stood a better chance had he chosen to reform Peru's institutions within a democratic framework.

"Mr Fujimori's popularity may start to evaporate once Peruvians begin to count the cost of international isolation," says Mr Hernando de Soto, a leading economist and former aide to the president.

## NEWS: WORLD TRADE

# Officials see Gatt Round running out of steam

By Frances Williams in Geneva

TRADE officials acknowledged yesterday that the Uruguay Round of trade liberalising talks has run out of steam. Mr Arthur Dunkel, Gatt director-general, told a meeting of the top-level Trade Negotiations Committee (TNC) that without shifts in position by the major traders, the Round could not be concluded successfully.

After "a promising start", country-by-country negotiations in Geneva on improving market access for foreign goods and services were losing momentum, he said.

Mr Germain Denis, chairman of the market access negotiations, said good prospects existed for a substantial package of trade liberalisation measures, with many countries indicating they would meet or go beyond the one-third target cut in overall tariffs. But a political breakthrough was needed in the main bilateral market access negotiations (by implication, those between the US and the EC), to unblock the talks on both agriculture and industrial goods.

Also, several countries have refused to convert import quotas on certain farm products into tariffs as required by the draft Uruguay Round text on agriculture. This point was amply illustrated yesterday when much of the meeting was taken up with a heated debate over the EC's recent decision on banana imports, which protects high-cost Caribbean and north African bananas at the expense of Central American producers.

The EC decision means it will not replace banana import quotas with tariffs, a move which could prop open the door for other countries to exempt from tariffication products they consider especially sensitive, notably rice for Japan and South Korea.

In services, Mr Dunkel singled out the widespread exemptions from the non-discriminatory most-favoured-nation principle being sought by the US as a major hurdle.

Mr Dunkel said he would hold consultations with negotiators after Easter, to decide how to tackle what he hoped would be the last leg of the negotiating process. Another TNC meeting is likely towards the end of April, after what is seen as a key meeting between President Bush and Mr Jacques Delors, EC president, on April 22.

French farmers are confident that despite his faith in free markets, Mr Pierre Bérégovoy, France's new prime minister, will resist pressure for deep cuts in farm subsidies to unblock the stalled Gatt world trade talks, Reuter reports from Paris.

"Bérégovoy is more sensitive to pressure from industrial and financial circles than (former Premier Edith) Cresson, but there is no reason to fear a shift in position on Gatt," an official of FNSEA, the main French farmers' union, said.

France, as the EC's biggest farm producer and exporter, holds the key to agricultural reform. The reappointment of Mr Louis Mermaz as farm minister is seen as a sign that Paris plans to continue to resist any new concessions in the five-and-a-half-year-old talks being held under Gatt.

The April 22 Bush-Delors meeting is seen as one of the last opportunities for a breakthrough in the deadlocked negotiations. French farmers see more reason to worry about talks under way to reform the EC's Common Agricultural Policy (CAP), which they fear could lead to production quotas.

France is willing to accept farm price cuts, providing they help to regain market share inside and outside the EC, but is firmly opposed to any type of quota system as wanted by Germany, analysts said. A French government official said he believed any chance of a Gatt agreement would be tied to Germany's dropping its support for quotas. "If there is a breakthrough on April 22, that will mean France and Germany have struck a deal on CAP," he added.

# Food aid: demand grows, resources fall

Robert Graham interviews the outgoing director of the World Food Programme

THE OVERALL resources available for international food aid are being reduced at a time when the need for such assistance is expanding. This is one of the disturbing trends observed by Mr James Ingram, who has just retired as director of the World Food Programme (WFP), the Rome-based organisation responsible for United Nations food aid.

Mr Ingram, an Australian who headed the programme for 10 years, also notes a slowing down in donor countries' responses to aid requirements and their insistence on more conditions for assistance. The organisation is the only multilateral body providing food assistance to developing countries, accounting for one-fifth of all food aid shipped globally. The organisation is also the second largest source of development assistance within the UN system after the World Bank.

"There are enormous problems of how to allocate food aid, since the demands are increasing while resources from donor countries are being reduced," he says.

The decline in resources has been in evidence since 1988, and last year the \$448m (£260.4m) committed to development projects was the lowest in value terms since 1978. Approximately 22m people were reckoned to have received food through the programme's development projects last year, the bulk in food-deficit countries with per capita incomes below \$1.135.

The main call upon the programme's resources has come from increased emergency relief aid. In the two-year period 1991-92, the organisation's total resources are expected to be \$2.6bn. But the number of unforeseen emergencies (such as helping the Kurds in Iraq and cyclone victims in Bangladesh last year) is likely to rise.

The situation, he argues, is set to worsen. "Donors are becoming slower in responding. We have seen this over the recent cases of Sudan, Liberia and Mozambique. The food pipelines are empty, and if you don't deliver now, it becomes impossible to get the food at the right time and thus it becomes very hard to manage the aid well."

The increased delays are less the result of "aid fatigue" among donor countries than, as Mr Ingram sees it, the consequence of aid being handled by civil servants who have too many calls on their national purses and have to juggle tight budgets. "They wait until the last moment, weighing their options," he says. "It's understandable, but decisions can be too late."

The organisation's current Horn of Africa appeal for \$400m has so far produced no more than \$80m in promises.

Of the main donors, Mr Ingram regards the US as still the most responsive. "The European Community has been a little disappointing," he says. The EC was still conditioned by "old geopolitical, historical and colonial considerations" and seemed insufficiently aware of the



James Ingram: "Trade is ultimately more useful than aid"

potential effects of instability and emigration among poor countries, especially in Africa.

He also sees aid increasingly geared to serve special interests and hedged-in by conditionalities. Food aid projects now often have to contend with human-rights issues such as the role of women and environmental protection, all of which affect a country's internal politics. While developing countries are far from blameless, Mr Ingram believes too many strings can be counterproductive: "It is better, perhaps, to have fewer strings and

less aid."

Because the organisation distributes aid directly to the beneficiaries, it is less constrained by the nature of the governments where it is operating. For instance, in Sudan, where the government has a poor record on human rights, emergency food aid is distributed through non-government organisations (NGOs). In some countries the WFP ceases to deal with certain ministries; but, where genuine hardship exists, the organisation seeks to be present no matter the nature of the regime.

A more delicate issue, according to Mr Ingram, is whether the organisation should intervene when governments of potentially rich countries fail to feed elements of their population because of poor policies such as in Brazil's impoverished north-eastern region. He believes in principle that resource-rich developing countries should be responsible for their own poor, and in the case of the former Soviet Union the potential role of the WFP, apart from offering its good offices, should be limited to some of the poor Muslim republics.

He sees little immediate change in the production of food surpluses, especially where there are high subsidies as in the EC. But he is convinced that, in the longer term, greater trade liberalisation can only benefit poorer countries. "Trade," he says, "is ultimately more useful to them than aid."

Although the organisation last year handled a record 4.8m tonnes of food and has extensive experience in the purchase and movement of food aid, its hands remained tied. "The WFP has no money to finance stocks," says Mr Ingram. "We rely upon the International Emergency Food Reserve (IEFR), which is based solely on commitments from donors - it is not a formal stock. This reserve stands at about 500,000 tons, yet we have to distribute annually over 4m tons."

Mr Ingram has been succeeded by Ms Catherine Bertini, former assistant secretary of the US Department of Agriculture.

# Eximbank chief hails huge openings in Indian market

INDIA is being hailed as "the new Mexico" at the US Export-Import Bank and proof positive that US industry has turned the tide in its drive to regain the edge over its foreign competitors, Nancy Dunne reports from Washington.

Mr John Macomber, Eximbank chairman, just back from an Asian trip, speaks glowingly of the "huge opportunities" of an Indian market newly shorn of trade curbs. Eximbank's exposure there has

leapt from \$100m (\$58m) to \$500m in the past year, and it has on hand applications for \$1.6bn in trade credits.

"We won't get all the contracts, but we'll get a good percentage of them," Mr Macomber said. "This doesn't take into account a gigantic deal for airlines, airports and avionics which is in the works."

Mexico has emerged as the Eximbank's biggest customer, with lending expected to hit \$7bn this year. But bank offi-

cials see India as having equal potential; even as a candidate for "bundling" - packaging together small loans for sale on the capital markets.

Mr Macomber says US product quality has improved so much in the past decade that Asian buyers are no longer "talking down" US products. Sales are mostly in the \$50m-\$75m range, including computers, avionics, machinery, and oil and gas equipment. "There are few areas where the

Americans aren't on top, whether it is telecommunications, advanced materials, medicine or biology," he said. "No amount of monkeying with the value of the dollar is going to make you competitive if your product is not."

Support for US exports has now achieved a consensus in Washington. Congress has removed the ceiling for export guarantees, with no opposition from the Office of Management and the Budget, and the only

limit on lending is a \$612m subsidy level. The value of exports backed is expected to rise from \$12.5bn last year to \$14bn in fiscal 1992.

Last week, Congress repealed the Stevenson/Byrd Act, which placed a \$130m lid on lending by Eximbank to the former Soviet Union and capped loans in the energy sector at \$40m. Eximbank is finally prepared to go ahead with almost \$300m in loans, approved months ago for sales to Russian businesses.

# Matsushita in Chinese phone pager venture

By Steven Butler in Tokyo

MATSUSHITA Electric Industrial, Japan's biggest consumer electronics company, yesterday agreed to a telephone pager manufacturing joint venture with three Chinese companies.

The venture should help Matsushita consolidate its leading position in the Chinese market for pagers. Matsushita sold 150,000 pagers in China in 1990, out of a total estimated market of 200,000 units, and last year sold 200,000 pagers.

Pagers in China are popular because of the slow development of the telephone network. Rather than wait for a telephone, many Chinese are receiving messages by pager. The company is to be called Beijing Matsushita Communication Equipment. Fifty per cent is to be owned by MHI and Matsushita Communication Industrial, with the other half owned by China National Posts and Telecommunications Industry, China National Postal and Telecommunications Appliances, and Beijing Telecommunication Components Factory.

The company is capitalised at \$2.94m (£1.7m). Production of pagers, which will have liquid crystal displays, is to start in July.

# Brussels sets steel duties

The European Commission is imposing provisional anti-dumping duties on imports of alloy engineering steel billets from Brazil and Turkey, it said yesterday, Reuter reports from Brussels.

The duties, equal to 16 per cent on imports from Turkey and 15 per cent on Brazilian steel, were imposed after an investigation following a complaint from the EC steel industry. EC governments have four months to decide whether to make the duties permanent. Producers said imports had increased sevenfold, their market share rising to 7.3 per cent in 1989 from 1.2 per cent in 1985.



## Japan reports monthly trade surplus of \$11bn

By Robert Thomson in Tokyo

JAPAN yesterday reported a record monthly trade surplus of \$10.98bn (\$8.3bn) for March, bringing the surplus for the full fiscal year to \$93.36bn, a 62 per cent increase and a potentially large source of trade problems for the Japanese government.

The customs-cleared surplus for the year was close to the record of \$89.7bn in fiscal 1986, and prompted Mr Kozo Watanabe, the trade and industry minister, to promise to rekindle domestic growth in an attempt to halt the expansion of exports.

Japan's economic slowdown was reflected in the 29.3 per cent increase in the March surplus, as imports fell 8.2 per cent from a year earlier to \$19.32bn, while exports rose 2.6 per cent to \$30.30bn. Exports for the year rose 8.1 per cent to \$320.55bn, imports dipped 4.3 per cent to \$232.22bn.

The US Congress will note a

marginal 1.2 per cent increase in Japanese imports of US products and that the bilateral deficit rose for the first time in five years, and query whether market opening measures have been effective. The US deficit in bilateral trade last year was \$35.46bn, up from \$33.12bn, following a 1.1 per cent increase in exports from Japan.

However, the Ministry of Finance's seasonally adjusted figures showed that the surge in surplus over the past few months could have peaked, with the March surplus at \$10.98bn, down from \$11.65bn in February. Exports decreased 3.8 per cent to \$27.92bn, imports increased 0.9 per cent to \$18.76bn.

For the year, exports to the EC were 5.6 per cent higher at \$59.75bn, while Japan's imports from the EC declined 11.4 per cent to \$31.32bn. Highlighted by a 14.3 per cent fall in imports from Italy and a 25.1 per cent plunge in imports from France, both countries' exports were

hurt by the slowing of demand for luxury products.

China became a lucrative market again last year for Japanese companies, with exports 45.4 per cent higher at \$9.42bn, and imports up 18.8 per cent to \$14.56bn. Exports to the rest of Asia rose 12.9 per cent to \$106.57bn and imports rose 4.1 per cent to \$72.46bn.

Japan's trade with the newly industrialised economies of Asia, Singapore, Hong Kong, Taiwan and South Korea now outstrips that with the EC. Exports to those economies rose 13.1 per cent to \$67.78bn, and imports were 4.7 per cent higher at \$27.35bn.

The most significant increases in Japanese exports last year were in cars (7.7 per cent), video cameras (16.1 per cent), semiconductor equipment (12.3 per cent) and ships (22.6 per cent). Japan's machinery imports rose by only 4 per cent, and imports of cars fell 26.4 per cent by value and 25.9 per cent by volume.

## The amazing Mr Chung raises the stakes

Roh's government could be forced to defuse the Hyundai row, writes John Burton

MORE THAN the fate of Hyundai is at stake in the bitter feud between the group's founder, Mr Chung Ju Yung, and the South Korean government. Hyundai is the country's second largest business group, with activities ranging from cars and shipbuilding to electronics and construction, and the outcome of the conflict could even affect the election of the country's next president and determine the future role of big business in Korea's economic structure and politics.

Mr Chung did the unthinkable when he recently created the Unification National Party (UNP) to challenge the government of President Roh Tae Woo. Business has traditionally played a subservient role to government in Korea, providing financial contributions to the political establishment in return for receiving corporate favours. The launch of the party upset this equilibrium, and Mr Chung did it in a way that humiliated the government: the party's success in last month's national assembly elections helped deprive the government of a parliamentary majority.

The clash began in earnest last autumn, when the authorities imposed a \$181m (\$105m) penalty tax on the Chung family and 14 Hyundai subsidiaries under suspicion that the Hyundai founder was planning to form his party. The Hyundai group subsequently complained that bank loans were being denied to them under state pressure, while the government was blocking approval of planned stock and bond issues.

Legal actions then escalated after the elections. Hyundai's main creditor bank, the Korea Exchange Bank, suspended loans for industrial investments to five key subsidiaries for six months due to violations of credit controls. Hyundai Electronics Industries may lose its important right to unrestricted credit access because it allegedly



Chung: aggressive tactics

used bank loans to finance the UNP. Hyundai Merchant Marine has been hit with a Won 27bn (\$20m) tax penalty and several corporate officials have been arrested for alleged tax evasion. The state-run Korea Development Bank has suspended industrial loans to Hyundai because it fears that the group's creditworthiness will fall as a result of its conflict with the government.

The latest legal sanctions coincide with government worries about the prospect of Mr Chung's standing in December's presidential election. Many political analysts believe that a Chung candidacy would deny victory to the ruling Democratic Liberal Party (DLP) in the race for the Blue House, the presidential office: he might split the conservative vote and deliver the election to Mr Kim Dae Jung, the likely candidate for the main opposition Democratic Party, or even squeak through

to become president. Mr Chung proved skilful during the assembly elections in overcoming public suspicion of the chaebol, the conglomerates that dominate the Korean economy. His party's advertisements contrasted the international success of Hyundai with the economic problems confronting the country as a whole, including high inflation and a burgeoning trade deficit. The result was that the party captured 17 per cent of the vote.

The party's goal is to reduce the government's strict economic controls. Mr Chung, for example, wants to deregulate the financial system. The government is using credit controls as part of an attempt to reduce the economic power of the chaebol, while promoting the growth of small and medium-sized business. Tighter borrowing rules have been imposed on the chaebol in the hope that they will divert some of their widespread industrial activities, although the policy has not been very successful. The chaebol initially grew rapidly due to cheap loans. Mr Chung wants a return to the days of easy credit. He argues that only the success of the chaebol can save the economy.

He has also accused the government of favouring the other chaebol. While Hyundai benefited from Mr Chung's friendship with President Park Chung Hee in the 1960s and 1970s, relations between Hyundai and the state have cooled. Mr Chung has claimed that Daewoo, the country's fourth biggest conglomerate, grew under President Chun Doo Hwan in the 1980s because it was granted tax breaks and other privileges to take over ailing concerns. Daewoo is now spearheading proposed corporate investment in North Korea, replacing Hyundai in this government-sanctioned role.

"Why only us?" asks Mr Chung Mong Joon, a son of the Hyundai founder. "The irregularities that the authorities

are charging us with are common practices in domestic business management." The government denies that it is targeting Hyundai in its examination of financial practices. Officials warn that the other chaebol are also being scrutinised for illegal practices.

Analysts wonder how long Hyundai can stand the financial pressure before it starts suffering damage.

However, most believe that the government's goal is to frighten Hyundai away from financing the UNP and that it has no intention of inflicting permanent harm. The health of Hyundai is considered too important to the Korean economy. Its 43 subsidiaries generated an unconsolidated turnover of Won 40 trillion (million million) in fiscal 1991, which was equivalent to 17 per cent of the country's gross national product. "I expect the government will have to back down because of the economic consequences of a Hyundai collapse," says Professor Sohn Hak-Kyu of Sogang University. "A retreat by the government will confirm that the chaebol have grown too powerful to control and that they are likely to play a growing role in the political process."

Indeed, there have been signs in the last few days that the government is trying to defuse the situation. It suspended for a week its threat to withdraw unrestricted credit rights from Hyundai Electronics, while a presidential aide met with the current Hyundai chairman, the younger brother of Mr Chung.

Although the elder Chung may emerge victorious from his battle with the government, the other chaebol will try to prevent him from using his new political power to benefit Hyundai. They have declared that they may band together to combat Hyundai. Mr Chung will be closely watched to see if he can successfully separate his business interests from his political activity.

## Rafsanjani widens margin of victory in Iran elections

IRANIAN President Ali Akbar Hashemi Rafsanjani has widened his margin of victory in Friday's parliamentary elections and looks set to dominate Iran's incoming parliament.

Half of the votes in Tehran have so far been counted, with Mr Rafsanjani's supporters taking 29 of the 30 leading positions.

The extent of the landslide is a surprise, despite vetting before the poll which disqualified several headline rivals of the president: not even Hajatoleslam Ali Akbar Mohtashemi, figurehead of the hardliners, could guarantee himself a seat.

However, even outside parliament, the hardliners could still plague Mr Rafsanjani. "They can make life difficult for the government," said an Iranian official. "They have a lot of influence on the students."

Hardliners could also still gain more seats in the 370-seat Majlis (parliament). A second round of voting will be held for the more tightly contested seats.

Supporters of Mr Rafsanjani are seen as moderates outside Iran. They have forged closer ties with the west and seek to end Iran's economic and political isolation. However they are far from sentimental reformers. A diplomat in Tehran said: "They are pragmatic. They know the best way. They need its money and they need its technology."

Inside the country, the rival organisations appeared so simi-

lar that many voters could not identify candidates from each side.

With more than 2,000 candidates standing, voters seemed to rely on individual familiarity rather than political affiliation. Most of Tehran's voters plumped for a very familiar face: Mr Syed Ali Akbar Hosseini, host of a popular "agony aunt" television show.

The pragmatists had orchestrated their campaign tightly, depending on the frequent exposure of their candidates at religious services and political meetings. They contracted the Post Office to deliver political pamphlets with regular mail.

"They have been working at least for the past year," said an Iranian official. By contrast, the hardliners mobilised late, holding public meetings only during the week before the elections.

More important for the west, Mr Rafsanjani's Iran is emerging from its isolation; the revolution is coming of age. There is a cautious optimism in the air: ordinary Iranians express their opinion openly to strangers; foreign journalists are allowed independence.

At the same time, Iranians still mouth anti-capitalist rhetoric against the west; they happily fork out for the latest Sony or Panasonic from Tehran's high-tech bazaar.

Mr Rafsanjani will use his new parliamentary muscle to expand his economic reform, but his government will have little room for manoeuvre. It will be under pressure to increase state salaries in line with rampant inflation while keeping subsidies on basic foods.

Petrol rationing, imposed during Iran's eight-year war with Iraq, was lifted in February 1991, but subsidies on chicken and eggs were only partially removed later last year.

Mr Rafsanjani has placed great emphasis on cutting Iran's almost total economic dependence on oil exports. Since he came to power in 1989, the percentage of GDP earned from non-oil industries has increased to 8 per cent from 2 per cent. Non-oil exports doubled in two years, reaching a record \$2.5bn (\$1.45bn) in the year to March 1992.

But the price of reform has been high. Imports rose to \$17bn last year, only just short of an all-time high, and prices have soared.

Iranians are not happy with the government's record on the economy. In protest, many in Tehran refused to vote. At the moment, they are not seriously disaffected; they will give Mr Rafsanjani more time.

However after a year, if the economy has not grown and prices have not dropped, the hardliners' fiery talk of independence and revolution may seem much more attractive.



Some of an estimated 3m Hindus who took a ritual bath in the Ganges yesterday in and around the town of Haridwar, Uttar Pradesh, at the start of a salvation festival. Hindus believe that bathing in the Ganges at this time washes away sins and opens the way to nirvana, a state of perpetual bliss

## Congress meets in attempt to bury Nehru's doctrine

By David Housego in Tirupati

INDIA'S Congress party meets today for a historic three-day conference expected to consolidate the political authority of the prime minister, Mr P V Narasimha Rao, and to endorse his pro-market economic policies.

The plenary session of the All India Congress Committee (AICC), the party's main policy-making body, is the first to be held since independence in which no member of the Nehru family will be present.

About 100,000 delegates and party supporters are gathering at this pilgrimage centre in southern India - a location deliberately chosen by Mr Rao to strengthen the Congress party's Hindu credentials and to woo support from the Hindu radical Bharatiya Janata Party (BJP), the main challenger to the Congress.

One of the main divisions in the Congress, and expected to be on the conference agenda, is over its approach to the BJP, which is in power in the large northern Hindi-speaking states of Uttar Pradesh, Rajasthan and Madhya Pradesh.

The infrequent plenary sessions of the Congress have in the past been the occasions for signalling important shifts in doctrine. The 1955 session proclaimed the party's commitment to industrialisation through public ownership and the 1985 meeting under Rajiv Gandhi opened the door to economic liberalisation.

This session will effectively bury the Congress party's com-

mitment to socialist central planning and the dominance of the public sector. But because of the widespread opposition within the party to abandoning the legacy of Nehru, Mr Rao will present his pro-market policies as an extension of the Nehru heritage.

In spite of the party's readiness to give an overall endorsement to the new reforms, a large section of the party remains opposed to retrenchment.

The strength of the opposition from both within the party and the unions has led the prime minister to stall a rationalisation of the state-owned banking system and to postpone measures making it easier for companies to reduce their work force.

For the prime minister the plenary session is important in both consolidating his own leadership and in establishing a hierarchy beneath him. Mr Sharad Pawar, the minister for defence, and Mr Arjun Singh, the minister of human resources, are expected to emerge from the meeting as the two most likely candidates to succeed Mr Rao. Seen as a stop-gap leader when he took power last June, Mr Rao has succeeded in neutralising challenges from Rajiv Gandhi loyalists and from party bosses in the north.

The Gandhi faction has been marginalised by Mrs Sonia Gandhi's reluctance to enter politics and the resurfacing of allegations that the Gandhi family benefited from the Bofors scandal.

## Israel gets go-ahead for missile

By Hugh Carnegie in Jerusalem

THE US has given Israel the go-ahead to continue developing the Arrow missile, a costly ballistic missile interceptor mainly funded under the US Strategic Defence Initiative.

The approval comes despite recent concerns in Washington over alleged illicit transfer of US weapons technology by Israel to third countries.

Israel Aircraft Industries, a

state-owned company making the Arrow, said it had received an order to carry out the second phase of the missile's development following Pentagon approval.

The US government is to fund 73 per cent of the \$332m (\$187m) cost of the 46-month second phase, intended to bring the weapon close to battlefield readiness. Israel will fund the remainder.

The Arrow is designed to succeed the Patriot missile,

made by Raytheon of the US and deployed against Iraqi Scud missiles during the Gulf war. The first phase of its development, which has been delayed by technical hitches during test launching, began in 1988 and has so far cost \$158m, 65 per cent borne by the US.

IAI also announced plans to establish a public company later this year to develop and manufacture its Amos communications satellite.

## Libya sanctions leave Arab world divided

By Tony Walker in Cairo

AS TIME ticks away to the imposition tomorrow of United Nations-imposed sanctions against Libya, Arab states are wrestling with the knotty problem of how they might react.

Egypt, the Gulf states and Jordan have indicated they will probably fall reluctantly into line with the sanctions provisions, but it is not clear how Libya's North Africa's neighbours or such countries as Syria will respond.

The Arab League, which has passed three resolutions in an effort to defuse the crisis, has not outlined a collective stand not outlined a collective stand not outlined a collective stand.

However, Dr Esmat Abdel Meguid, the league's secretary-general, did tell reporters last month that in his view the Arabs should not impose sanctions. This was perhaps surprising coming from Dr Meguid, a cautious lawyer-turned-diplomat, who served as Egypt's UN representative more than a decade throughout the turbulent 1970s.

Arab League officials say no date has been set for a special foreign ministers' session to consider a collective response.

Libya last night urged its Arab neighbours to disregard United Nations-imposed sanctions, which are due to take effect at a minute after midnight New York time tomorrow after Libya's refusal to hand over two men accused of the 1988 bombing of a US airliner over Lockerbie, Scotland, Tony Walker reports.

Major Abdel-Salam Jalloud, Libya's second-in-command, bluntly told Arab labour ministers in Tripoli, that "the Arabs should not implement resolution 748".

It was Libya's most pointed call to its fellow Arabs to ignore the UN sanctions resolution, which calls for an air and arms embargo, and downgrading of Libyan representation abroad.

Libyan prepared for the April 15 sanctions deadline by declaring a day of "mourning" today, during which communications with the west were cut off, against a background of continuing and apparently futile Arab diplomatic efforts to defuse the crisis.

Colonel Muammar Gaddafi, Libya's leader,

but Mr Adnan Omran, a deputy secretary-general, indicated there were pressures for one to be held soon, although he acknowledged it would not necessarily be easy to forge a consensus.

Broad agreement was achieved in the three league resolutions aimed at defusing the Libya crisis - these were proclaimed on December 5, January 18 and March 22 - but discussion of how in fact to respond to sanctions themselves may prove divisive.

has insisted he will not back down in the confrontation with the west.

In remarks to reporters on Sunday he claimed broad Arab and Third World support for his stand and said Libya would "not lose anything" as a result of sanctions.

Arab foreign ministers, members of a seven-member committee grouping Egypt, Syria, Libya, Tunisia, Algeria, Mauritania and Morocco, met in Rabat over the weekend in a final effort to find a way out of the impasse, but appeared bereft of new ideas.

Libya has appealed to the International Court of Justice to rule that it is capable of trying the two men suspected of the bombings within its own jurisdiction, but the court is thought most unlikely to rule against UN resolutions calling for their surrender.

The court will rule this afternoon on a Libyan call for protection from any US or British military action against Tripoli pending a negotiated settlement of the confrontation.

Mr Omran was highly critical of the western approach to forcing Libya to disgorge its nationals suspected of the 1988 bombing of an American airliner, insisting that resort to the UN sanctions, including an air and arms embargo, was hasty and ill-conceived.

"This kind of policy," he said, "is an encouragement to extremism. Mr Saddam Hussein must be very happy with American policy now."

Western officials acknowledge the Libyan crisis has

become "messy", in the words of one. "No matter how hard we try to explain the situation reactions are emotional," he said. "People believe what they want to believe."

Egypt, which has led the Arab diplomatic drive to prevent Libya's further isolation, appeared early this week to have resigned itself to the sanctions coming into force, and for this in turn to lead to complications regionally.

President Hosni Mubarak told Egyptian reporters on his way back to Cairo from Tripoli on Sunday that Egypt had done all it could to defuse the crisis. The implication was that nothing much more could be achieved unless Libya was willing to consider seriously handing over its nationals.

Interestingly, an Egyptian official, newspaper yesterday hinted at criticism of Libya. Al Akhbar described the Libyan leadership as "hesitant" and "lacking decisiveness in confronting the problem."

Egypt's official Middle East news agency, MENA, quoted Mr Mubarak as warning that Libya must take the necessary steps to protect itself from the repercussions of the crisis. This hardly amounted to an Egyptian pledge to go all the way with Tripoli.

Move to gain support against Kurds

## Turkey seeks to revive Syria pact

By John Murray Brown in Ankara

TURKEY WILL today seek to revive a five-year-old border security agreement with Syria in the latest diplomatic effort to curb the rebel activity of the Kurdish Workers party (PKK).

During a two-day visit to Damascus, Mr Ismet Sezgin, Turkey's interior minister, is expected to press the Syrians to reduce their support for the PKK, which is fighting for the independence of south-east Turkey using training camps in the Syrian-controlled Bekaa valley in Lebanon.

The move reflects a government desire to paint the PKK as an external threat despite growing evidence that the rebels enjoy broad support inside Turkey.

It also underlines growing impatience with the Syrians over a number of bilateral issues including disputes over the Euphrates river and Syrian claims on Hatay, the border province ceded to Turkey in 1938 when Syria was still under French mandate.

Mr Sezgin's visit is part of a broader diplomatic initiative to win regional co-operation against the PKK following German and EC criticism of its handling of recent unrest in the south when more than 100 demonstrators died in clashes with security forces.

Mr Massoud Barzani, leader of the Iraqi Kurds, gave an implicit undertaking to Ankara last week to clear the border area with Iraq where the PKK has exploited a power vacuum. Turkey reportedly won Egyptian assistance in putting pressure on the Syrians during a visit to Ankara last week by Egypt's President Hosni Mubarak.

In Turkey's and Syria's last agreed on a short-lived border security agreement of 1987. On that occasion officials said in linking the border security agreement with a desion allocation of Euphrates water. Turkish officials insist this time water will not be discussed. Instead Mr Sezgin will present what officials say is documentary evidence of Syrian complicity in PKK actions.

## Mandela and wife to separate

By Patti Waldmeir in Johannesburg

MR Nelson Mandela, president of the African National Congress (ANC), said yesterday that he and his wife, Mrs Winnie Mandela, had decided to separate after 33 years.

The move follows renewed allegations that Mrs Mandela viciously beat four young men in her Johannesburg home in 1988. One subsequently died. Mrs Mandela's lawyers yesterday denied the allegations and Mr Mandela said they had nothing to do with his decision to seek a separation.

Mr Mandela's voice broke with emotion when he read out a statement announcing the separation. He praised his wife's role in opposing apartheid and in resisting government harassment during the ANC leader's 27 years in jail.

"My love for her remains undiminished," he said. However, the couple decided to separate because tensions had arisen "owing to differences between ourselves on a number of issues". Mrs Mandela takes a more radical political stance than her husband, and her open marital infidelities in recent months have led to scandal.



## NEWS: UK

## Heathrow leads modest recovery in air traffic

By Paul Betts,  
Aerospace Correspondent

UK AIR traffic staged a very modest recovery in the first quarter of this year after last year's slump caused by the Gulf war and the economic recession. Passenger traffic at airports in the south east operated by BAA, the airports operator, increased by 19 per cent to 13.6m passengers in the first quarter compared with 11.4m passengers in the same period last year at the height of the Gulf conflict.

The BAA figures, published yesterday, show traffic increased by barely 1

per cent compared with the first quarter of 1990. Passenger traffic last month rose 12 per cent on March 1991 and was flat compared with March 1990.

The very small recovery in passenger numbers compared with 1990 reflects the continuing impact of the recession on air travel. Traffic at London's Heathrow airport has shown the strongest improvement, but Gatwick - the capital's second hub - is still struggling to recover former passenger levels.

Traffic at Heathrow increased to 9.5m in the first quarter of this year from 7.7m in the first quarter of last year and 9.2m in 1990. In contrast, traffic at Gat-

wick totalled 3.7m passengers in the first quarter of this year compared with 3.5m last year and 4m in 1990.

Apart from the recession, Gatwick was hit by the decision of several airlines to transfer operations to Heathrow after the government scrapped London air traffic rules last year and opened access into Heathrow to all carriers.

Food at London's Heathrow airport has made impressive improvements during the last few months, while food at Paris Charles de Gaulle is "disastrous" and "abysmal," according to a report by Egon Ronay, the food critic.

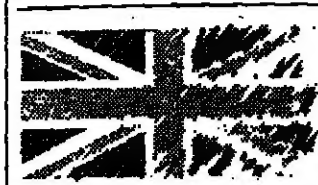
In a survey published yesterday by

Mr Ronay's magazine - after he had been asked by Sir John Egan, BAA chief executive, to review the standard of food at Heathrow - Mr Ronay said: "How a nation which justly prides itself on its gastronomic prowess could tolerate what we consider is disastrous food, particularly in an international shop window, is beyond me."

By contrast, there had been a "remarkable and commendable transformation" at Heathrow after an unfavourable first report.

"It is heartening to see what can be achieved after a none-to-gentle prod," Mr Ronay said.

## Britain in brief



## Builders fear mounting job losses

The three-year recession in the UK construction industry is likely to have claimed more than 300,000 jobs by the end of this year in spite of signs that indicators of future activity are continuing to improve.

Mr John Smith, chairman of the Building Employers Confederation, said: "There is still no sign of renewed growth in output, so 1992 will be another extremely tough year for construction firms."

The confederation's latest survey shows construction output fell 9 per cent last year. The confederation had expected the fall in employment since mid-1989 to be between 200,000 and 250,000. The severity of the recession has forced it to revise its forecast. Mr Smith said: "The jobsless figure looks like continuing to rise for the rest of 1992 and into 1993."

## Paying for lost immunity

The state-run National Health Service and hospitals which have opted out of local health authority control are to spend £1.6bn on building improvements following last year's lifting of Crown immunity from hospital properties, a survey of health authorities says.

Until immunity was lifted, planning controls and many other regulations did not apply to hospitals. Most of the work will be done to conform with fire regulations, according to Building Intelligence Digest, a consultancy.

## Reasons not to relocate

The length of golf club waiting lists, the ratio of blondes per head of population and the number of swaps on a river

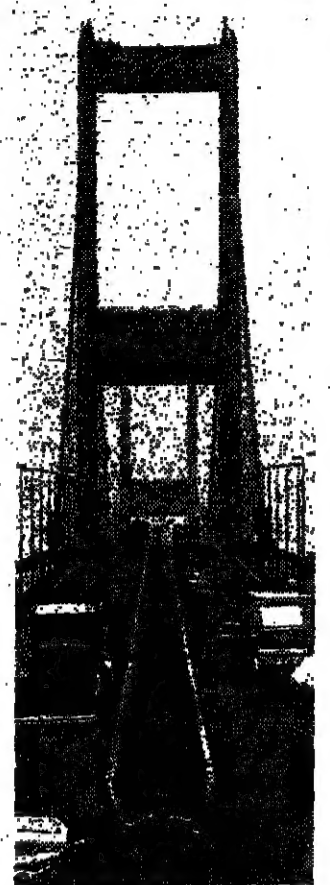
have all been used by companies to help choose a new location, according to a guide to relocation management.

These examples demonstrate how not to come to a decision on a new address, according to The Director's Guide to Relocation Management. Miscalculations during relocation can lead to the loss of key employees, plummeting morale and escalating costs, it says.

## Severn Bridge tolls increase

Motorists travelling between England and Wales are to face sharply increased toll charges on the Severn suspension bridge (below), which connects the two countries.

Charges for car drivers will



increase from £1 to £2.80, while drivers of other vehicles face charges raised from £3 to £5.50 for small goods vehicles and £8.40 for trucks and buses.

The new charges will be introduced on April 26, when responsibility for the bridge will pass from the Department of Transport to a private company, Severn River Crossing.

Tolls, however, will be levied only on vehicles travelling west into Wales.

Mr Ian Keisall, Welsh director of the Confederation of British Industry, said the increase in tolls would not affect the Welsh economy.

## Kent power station plan

A UK, US, and Japanese consortium plans to build a £230m 660MW power station on the Isle of Grain in Kent. TBV Power, jointly owned by Tarmac and Black and Veatch, a US construction company, will join Marubeni, the Japanese trading company, to design and build the station which is a joint-venture between AES Corporation, a US power company, and the UK regional electricity companies. Seeboard and Southern Electric.

## Ballot for Tube staff

The RMT transport union has decided to ballot members working for London Underground in protest at plans to change working practices and axe up to 5,000 jobs.

The ballot decision followed London Underground's refusal to make alterations to its proposed Company Plan.

London Underground, which ignored a deadline set by the union, said union objections to changes in management grades fell outside the RMT's remit. The union said London Underground was trying to introduce the changes through piecemeal measures at local levels and was refusing to negotiate nationally.

## Damp start to cricket season

Essex, the 1991 county cricket champions, met 'England A' at Lord's, north London, on the first day of the season. Rain briefly stopped play.

'England A' is the country's "second side", fielding players below full international Test rank. Essex, led by England captain Graham Gough, was one of 18 counties to compete in domestic games.

The 1992 season includes a British tour by Pakistan, which arrives later this month for a four-month visit.

## Rover to adopt Japanese-style work practices

By Michael Smith,  
Labour Correspondent

WORKERS at Rover, the car manufacturing subsidiary of British Aerospace (BAe), have voted by only a small minority in favour of Japanese-style work practices and pay bargaining which the company hopes will improve efficiency.

In the ballot among 38,000 union members the vote was 11,961 in favour, with 11,793 against.

While the company intends to go ahead with the wide-ranging package of reforms, the narrowness of the vote suggests that it has a considerable task to persuade its workforce to adopt the changes wholeheartedly.

The size of the opposition vote surprised union leaders who had endorsed the reforms and praised the company for its willingness to negotiate with them and for attempts to involve workers more fully in decision making.

Shopfloor resentment is thought to have stemmed in part from the company's failure to offer any cash inducement for accepting the package. Other car manufacturers seeking change tended to have done so: a package of reforms under discussion at the Luton plant operated by Vauxhall, the GM subsidiary, would lead to a 5 per cent pay rise over

and above annual wage increases.

Rover had tried to sweeten its package through measures such as increasing job security, suggesting it would not implement compulsory redundancies, and improving holiday and sick pay arrangements for blue collar workers.

Although most workers welcome these measures, some were concerned about measures such as the phasing out of "clocking-on" arrangements and payment of wages by credit transfer rather than in cash. Among the more substantive measures, the company's intention of removing all demarcations between jobs will also have engendered fears about increased work loads.

Other aspects of the package include: the introduction of a joint pay bargaining procedure for office staff and production workers; the extension of team working; and a mechanism for binding arbitration in management-union disputes.

The package is one of the most far-reaching attempts by a non-Japanese car manufacturer in the UK to increase productivity and change work culture.

Rover said the package was so wide-ranging that it was inevitable there would be concerns. It would attempt to allay fears as it introduced the changes.

## Clowes ordered to make £6m interim payment for damages

MR PETER Clowes, the jailed fraudster, and his wife Pamela were yesterday ordered to make an immediate interim payment of £6m on account of damages payable to the Department of Trade and Industry which took over the claims of investors who lost out in the collapse of the Barlow Clowes investment group.

The exact amount of damages has yet to be assessed by the court, but the judge said it was "inevitable" that the figure would exceed £10m.

Sir Donald Nicholls, the High Court judge who made yesterday's order, said there was nothing unjust in ordering an interim payment, even if the amount was beyond the couple's means and had the "extreme consequence" of bringing bankruptcy on them.

Interest is to run on the interim payment pending appeal by Mr and Mrs Clowes. Clowes, who is currently serving a 10-year prison sentence for fraud, was in court for the brief hearing. The DTI claim is one of many against Clowes, 49, who cheated investors of an estimated £113m by falsely promising to invest in gilt-edged securities and spending the money on a yacht, executive jet, expensive cars and various businesses.

Only £1.9m of a £115m investment fund was found to have been invested in government stock. The DTI paid out £150m compensation to investors. The DTI is seeking the return of £19.5m, representing losses suffered by investors in Barlow Clowes and Partners before it



Peter and Pamela Clowes, facing £6m court order

was taken over by Barlow Clowes Gilt Managers in 1987.

Mrs Clowes, although having had no personal involvement in the partnership, is jointly liable with her husband.

A 14-member committee has been set up by the Securities and Investments Board (SIB), the City regulator, to work on the creation of a regulatory watchdog to protect private investors.

The creation of a self-regulating organisation (SRO) for retail investment was the main recommendation last month of a report by Sir Kenneth Clowes, appointed by the SIB in October to examine the need for replacing the present complex and fragmentary system.

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The licensee will be expected to broadcast to at least 30 per cent of the United Kingdom population by the end of the first year of operation and up to 74 per cent by the end of the sixth year using 33 designated transmitter sites. This is the extent of coverage possible using terrestrial transmission.

The Invitation to Apply specifying the terms and conditions relating to the provision of the Channel 5 service, together with a draft licence, is available from the Secretary to the Independent Television Commission, 70 Brompton Road, London SW3 1EY.

Applications addressed to the Secretary to the Commission, giving information in the form specified in the Invitation to Apply document, together with the application fee, should reach the ITC not later than noon on Tuesday 7 July 1992.

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## TELECOMS

## BT urges new price structure for line rental

By Hugo Dixon

BUSINESS customers of BT could benefit at the expense of residential users following moves by the national telephone company to win permission from OfTel, the industry regulator, for a rapid increase in its line rental charges.

The company's proposals, contained in a submission to OfTel, which is currently reviewing BT's prices, would mean that customers who use the phone little would see their bills increase by more than the rate of inflation.

But business customers and residential customers who are heavy phone users would see their bills going up at a slower rate.

The submission was made last month but not published until yesterday, because BT did not wish the matter to be drawn into the general election campaign.

Mr Malcolm Argent, BT's company secretary, repeated an argument made many times in recent years that line rental charges were artificially low and call charges artificially high. The company estimates that the size of the subsidy from calls to rental charges is £1.8bn a year.

Currently, BT is allowed to increase rental and connection charges by two percentage points more than the rate of inflation each year.

The company now wants the constraint on rental charges to be replaced by a new rule that the size of the average residential customer's bill should not go up by more than inflation.

Mr Argent said this would

mean that people paying less than the average - £4.57 a quarter - would see their bills increasing faster than inflation, but that those paying more would find their bills going up at a slower rate.

Mr Argent said that such a "rebalancing" of charges would allow BT to compete fairly against rivals, like Mercury Communications, which are not under similar regulatory constraints. It would also be good for the economy because lower call charges would encourage people to use the phone more. Mr Argent refused to spell out how sharply BT wished to increase prices, saying he did not wish to be "hoist on his own petard".

But he said the poorest people would be protected by a scheme allowing them to pay lower rental charges if they make very limited use of the phone. About seven million people could see their bills going up by more than inflation under the company's proposals.

BT is also arguing for a relaxation of its overall price cap, which requires that the price of a basket of its services has to fall by 6.35 percentage points less than inflation each year. It believes a figure of 4.5 percentage points should be the "starting point for discussions" with OfTel.

BT has already held several meetings with OfTel which the regulator describes as "preliminary skirmishes". Both sides would like to reach an agreement by the time Sir Bryan Carsberg, OfTel's director-general, moves to the Office of Fair Trading in mid-June.

## Labour rediscovers appetite for internal strife

Ivo Dawney finds an old fashioned internal dispute brewing over the succession to Kinnock's crown

MR John Smith - prematurely hailed last week as chief architect of a Labour victory - yesterday emerged as the leading candidate to succeed Mr Neil Kinnock, who yesterday announced his resignation as leader of the opposition Labour party.

Mr Kinnock's hopes, however, that the leadership contest would not expose splits in the party were undermined by claims by a former party press officer that Mr Smith, the party's chief financial spokesman, had become a creature of the union barons, a beneficiary of a conspiracy and a stooge of the party establishment.

Citing Labour's defeat in last Thursday's general election as the reason for his resignation, Mr Kinnock claimed his campaign had been the victim of unfair and misleading coverage in the traditionally Tory tabloid press.

In a sombre statement in his Westminster offices, Mr Kinnock made clear that he and Mr Roy Hattersley, the deputy leader, would ask a special meeting of the National Executive Committee today to call the elections for late June.

Mr Bryan Gould, the party's environment spokesman and an expected contender, joined several Labour MPs in immediately declaring his strong opposition to an early contest, although Mr Kinnock's timetable is likely to be agreed by a narrow margin.

Mr Gould's opposition to a June leadership contest, the apparent union backing for Mr Smith and the calls from some left-wing MPs for a return to more traditional socialist values has unveiled a side of the Labour party which Mr Kinnock had successfully suppressed. Party activists fear Labour could be seriously split by a succession crisis following its unexpected failure at the



Those were the days: Neil Kinnock and Roy Hattersley (left) were the 1983 dream ticket for the Labour party

polls. Nobody can deny a political party's right to a little rearmament and self-pity in defeat, but nobody exhibits it so publicly and with such suicidal skill as Labour.

Only one thing in the traditional world of British politics is capable of producing such an astonishing turnaround: a Labour election disaster and a party leadership contest.

Yesterday, it was like old times. The day began with Guardian newspaper readers up and down the country chomping on their breakfasts to the bellowing claims of Mr Colin Byrne, until last year Labour's chief press officer.

In a letter to the paper, he claimed Mr Smith had "cost the party dear" with his tax plans and sat on his hands through all the tough decision making of the Kinnock years.

Unnamed conspirators, he added, "had been manoeuvring John Smith into position to walk into the leadership should Labour lose and orchestrated the ruthless undermining and behind-the-hand rubbing of perceived rivals in a future contest."

Much of all this stems from Mr Kinnock's now infamous dinner with journalists in Covent Garden last January. Some in the Kinnock camp claim Mr Smith's office then

briefed against the leader, contradicting his suggestion that tax and national insurance contributions might be "phased-in."

In this particular demonology, therefore, it is only a small (if simplistic) leap for the fanatically loyal to claim that it was Mr Smith's intransigence on tax that lost Labour the election.

The truth is probably less conspiratorial. Mr Smith was indeed widely believed to have been irritated by his leader's dinner-time indiscretions. But to suggest this was all part of an elaborate plot aimed at engineering Mr Smith a smooth passage to the Labour

leadership is laughable.

The second charge against the Smith camp - that it is steamrolling the shadow chancellor into the leadership - is also only half the story. After all, it is Mr Kinnock's determination to go that is pressing a quick decision, something, it must be admitted, that is not to Mr Smith's disadvantage.

As for the trade union barons role in the election, it will be the same in June or July as it will be in October.

Are we back in the days of fierce ideological schism? They should not be, yet they are in danger of becoming so. The differences between Mr Gould and Mr Smith are complex, but

they defy the simple categories of left versus right.

There are distinct differences on attitudes to Europe and the economy. But the key to Mr Gould's campaign is going to be putting a case for a new appeal and a fresh style, aimed at attracting the southern middle-class that Labour so signally failed to win over last week.

His implicit argument in a weekend interview was that the shadow chancellor had underestimated the poor reaction to his tax plans among the "aspiring" classes and that he lacks the "zeal and the passion" needed to woo the public. Some in the party, however, seem determined to try to transform Mr Gould into the Left's candidate and to portray the more traditional Mr Smith as an advocate of a "steady as she goes" policy.

Mr Ken Livingstone, the Labour MP who was among several left-wingers who argued, unaware of the irony, that the right-wing shadow chancellor had been too tough on middle-income taxpayers.

What is clear is that before the election is held, Mr Smith will have to fill in the blank sections of his ideological curriculum vitae to counter the "lack of vision" charges. So far he is known, almost exclusively, for his cautious bank manager style.

In some respects, it is his misfortune that what now looks more than likely to be a foreshortened leadership contest will leave him almost inevitably vulnerable to the accusation that he has been elected by a discredited system.

With the leadership candidates expected to make their official declarations tomorrow, the triumphant Tories - now basking in their election victory - are anticipating a highly enjoyable summer. Joe Rogaly, Page 17

## Northern Ireland secretary rejects talks with Sinn Fein

By Our Belfast Correspondent

SIR Patrick Mayhew, the new Northern Ireland secretary, yesterday made it clear there was no place for supporters of violence at talks on the province's political future.

His statement was seen as a clear sign that Sinn Fein, the political wing of the IRA (Irish Republican Army) terrorist group, will not be included in round-table talks on Ulster.

On his first day in office in Belfast Sir Patrick outlined his immediate priorities which include meetings with Mr David Andrews, the Republic of Ireland foreign minister. Sir Patrick will also be meeting leaders of the Unionist parties, who broadly favour enhanced links with the UK.



Mayhew rejects Sinn Fein and Nationalists - who favour a united Ireland - to take stock of the current position. He is expected to meet Mr

Andrews at an Anglo-Irish Conference meeting in Belfast shortly after Easter. At that meeting a formal suspension of conference meetings may be announced to enable inter-party talks on the future government of the province to be reconvened.

Unionists have already welcomed Sir Patrick's appointment to the Ulster job and respect his strong stance on law and order.

Sir Patrick yesterday dismissed potential Nationalist concern over his alleged refusal to prosecute police officers at the centre of the so-called shoot-to-kill investigations. The former Attorney General said that decision had not been his and he had left the past behind him.

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## NEWS: THE CITY BOMBING

■ Experts warn of other attacks ■ Insurers face claims of £1bn ■ James Capel builds a dealing room in 48 hours

## Work goes on in temporary offices

By Andrew Jack, Catherine Milton and Ken Gooding

THOUSANDS OF City workers arrived yesterday at unfamiliar offices to try to ensure business carried on as normal after Friday's IRA bomb had damaged their familiar workplaces.

"It's an odd feeling to wake up in the morning and not knowing where you are going to work," said Mr Hugh Scott, assistant secretary of Fosfa, a trading association for commodities brokers and a refugee from the third floor of the wrecked Baltic Exchange.

"The bomb has put things in perspective for me," he said. "All those deadlines that seemed so important have passed without comment. It is going to be very difficult to pick things up again."

"At the moment we cannot access our fax machine, telephones or address system. We are out of touch with 600 member companies."

Ingenuity and effort over the weekend meant most displaced workers had somewhere to go. Up to 100 staff of James Capel, the securities house, worked through the weekend to construct a replacement dealing room from scratch. Commercial Union, the insurance company worst hit by the blast, was trading as normal.

James Capel installed phones, computers and office furniture in spare premises on Devonshire Square in time to provide a full dealing service by 7am yesterday.

The Stock Exchange loaned 35 Topic screens carrying its

share dealing information service while Reuters provided trading screens and the Midland Bank offered office equipment including fax machines, desks and chairs.

"Everyone was incredibly co-operative," said Mr Peter Letley, finance director. "I really don't know who paid."

All Capel's 1,000 employees were called on Sunday night and told whether and where to show up yesterday. The settlement department moved to the Devonshire Square site, but many staff were allowed back into Bevis Marks.

"Both buildings are running smoothly," said Mr Letley. "We should be back to normal by Wednesday. Our clients have been very supportive. One faxed me to congratulate us and send best wishes to the staff." The Baltic Exchange, which arranges most of the world's freight chartering and more than half of world-wide ship sales, was even able to publish last night its Baltic Freight Index, the futures index recognised worldwide as a barometer of the freight market.

Mr Peter Tudball, the exchange chairman, said: "There has been no business lost on the London market. In fact, I think more people have been using the London market today because of this tragic incident than probably would have done last week."

Other companies took a variety of steps to continue operating. Some staff from Shaw & Croft, the solicitors, could not find a spare banqueting suite

in the Tower Thistle Hotel, and booked a bedroom for the morning instead.

In the wine bars and coffee shops of the City yesterday, all talk was of the effects of the blast. One broker - whose business had not been affected - said: "Hitler could not shake the spirit of the City and it will take more than a few bombs from the IRA."

A receptionist from St Paul Fire and Marine Insurance, which was operating in damaged premises on Lime Street, said: "It is frightening. All the bomb scares make me very apprehensive. I am just wondering where the next one will be. But I will carry on business as normal - you can't let them stop you."

The regional director of a major UK clearing bank, puffing on his cigar, said cynically: "I have seen it before, hurricanes, train strikes and so on. It will be the Dunkirk spirit for a day and then it will all die down. We need to capitalise on it today to get the bulk of the work done."

One office-less executive added angrily: "Whatever the IRA do they are not going to threaten the viability of London as a major financial centre. It will continue to make a valuable contribution to the invisible earnings of the UK."

Mr David Swingled, an employee with Trinity Insurance, located opposite the Commercial Union building, said: "I had a window on my desk when I came in this morning, so I just changed desks and hoovered up and carried on."



Glass houses: replacing windows at the Commercial Union building will take at least 15 weeks and cost £1.5m, according to the company which fitted the glass. Each of the 25 floors has 80 windows measuring 4 metres by 2 metres

## Fears over foreign opinion

By Simon London and Danny Green

THE acres of vacant office space in the City proved a blessing to overseas institutions made homeless by Friday's bombing. Most found new premises before the financial markets opened yesterday, many through a network of contacts among senior Japanese bankers.

The practical problems were quickly solved, but a wider question is whether foreign banks and securities firms will reconsider locating in London in the light of continued terrorist activity. Institutions affected by Friday's bomb said that terrorism would make no difference.

Mr Kaneo Muramachi, general manager of Sanwa Bank in London, said: "We are certainly angry and frustrated, but this does not change anything fundamental. There are many factors to consider. This is not critical."

But terrorist attacks could have a long-term effect on the thinking of senior banking executives abroad. The bomb blast, in which 19 Japanese bank workers were injured, was given extensive coverage on Japanese television.

Sanwa Bank, previously on the seventh floor of the Commercial Union building devastated in Friday's attack, has moved to Bucklersbury House, Walbrook, occupied until earlier this year by the Industrial Bank of Japan.

Daiba Bank, which occupied the 11th floor of the Commercial Union tower, has moved to the King Street offices formerly home to Mitsubishi Bank. Daiwa Capital Management, the bank's capital markets operation, has moved into Monument Street offices that housed Nomura International until last year.

Both firms said securities trading had suffered only slight disruption because duplicate records of securities holdings and settlements were stored away from the main offices.

Sanwa Bank has back-up record storage facilities in Hammersmith, west London, and a remote computer centre in Docklands. Securities business was yesterday being conducted through a London-based affiliate, Towa Securities.

Daiwa Capital Management said that most securities in settlement had been located by the end of the day. "There are only a few bits and pieces missing."

Ten years ago a bomb in the City could have crippled financial institutions by destroying computers. However, soaring rents and falling telephone tariffs in the 1980s persuaded finance directors to send data processing departments out of town.

Staff at Robertson Biscoe, a Lloyd's agency caught in the blast, worked through the weekend to restore computer services. "We carried out some machines by hand. The casings were damaged by shards of glass but software has survived," said Mr Bob Bates, the data processing manager. "Our disaster plan worked extremely well."

Cassidy Davies, another Lloyd's agency, had put its main computer on another site. Ms Beryl Hobson, the marketing director, said that important documents in the bomb-damaged offices had been held in fireproof safes and were able to be retrieved.

## Homeless companies stir property market

By Vanessa Houlder, Property Correspondent

THE City, where one-in-five office buildings is empty, is well placed to accommodate the 40 or so companies displaced by Friday's bombing.

There was even reluctant acknowledgement that putting in sq ft of office space temporarily out of action could help the depressed property industry. Mr Trevor Osborne, chairman of property company Speyhawk, said: "There will be some benefit to the market. This means a number of occupiers are seeking space and urgently."

Speyhawk's Exchequer Court

building in St Mary Axe will cost "tens of millions" to repair and may need to be demolished, according to Mr Osborne. But as it is fully insured and may have difficulty finding tenants, delay in its completion could take some pressure off the company.

The Corporation of London said no buildings would need to be totally demolished. However, 10 buildings in St Mary Axe, including the Baltic Exchange, the Chamber of Shipping and the Royal Bank of Scotland were severely damaged.

A total of 200 buildings were damaged, with 100 badly affected. The damage and associated losses may reach £300m and replacing glass will take a month or more.

Rosehaugh Stanhope Developments worked through the weekend to find accommodation for tenants, such as Commercial Union Asset Management, the European Bank of Reconstruction and Development, and Quilter Goodison in its Broadgate complex at rents of £40 per sq ft.

Mr Kevin McGovern of RSD said: "We are not looking to exploit the circumstances. We want to dispel any notion that this is a strategic long-term solution for us. We are just trying to get people back to work."

## Challenge to sustain commercial heartbeat

By Catherine Milton

PROTECTING the image of London's commercial heart was the Corporation of London's toughest challenge after the explosion that damaged 300 buildings.

The bombing of the Stock Exchange a year ago made it clear to the Corporation that faith in the City as a place to do business could be shaken by a terrorist attack.

Within 80 hours of Friday's bomb, it had contacted nearly all the 36 companies known to be affected and helped arrange relocation. Yesterday morning at 9.30 nearly all were operating.

The clubbiness for which the Square Mile is often criticised worked to its advantage. Mr Peter Tudball, chairman of the Baltic Exchange could visit his friend, Sir Brian Jenkins, the lord mayor, and brief him over a gin and tonic.

Sir Brian was able to put him in touch with another friend, Mr David Coleridge, chairman of Lloyd's, the insurance market, to talk about alternative accommodation for the Baltic Exchange. Sir Brian said: "That's what the City is all about." Sir Brian was at dinner when police contacted him with news of the explosion. It was his last proper meal until lunch yesterday.

Some experts had suggested that this attack could mark a return to the use of precisely aimed large bombs rather than the smaller devices and firebombs used on the transport system and in shops.

But Mr Ian Geldard, editor of Conflict International, a journal which monitors international terrorism, said: "I do think we are going to see more actions, but it is impossible to

## Insurers face claims up to £1bn

By Richard Lapper

LONDON insurers could face insurance claims of up to £1bn as a result of the weekend's bomb blasts, according to industry analysts last night.

Damage to property in the City has been estimated at about £300m, but claims from business interruption and loss of profits could more than double the total loss to insurers. Analysts stress that "BI" claims were an important element of the £120m claim from the London Underwriting Centre in August last year - the UK's biggest property loss hit.

In addition to a number of very large claims from the owners of the Commercial Union tower and the Baltic Exchange, there is likely to be a plethora of smaller claims to pay for damage resulting from

shock waves caused by the explosion in the City and the subsequent one at Staples Corner, in north London.

Mr Nicholas Balcombe, managing director of Balcombe Group, a loss assessor acting on behalf of some of the companies affected by the Staples Corner blast, said: "We haven't seen this sort of damage before in England."

A number of factory units up to a quarter of a mile away from Staples Corner have sustained heavy damage.

"On the outside it looks as if there is no damage but you walk in and the place is crumbled about you. Inside the roof lights are broken and the suspended ceilings and partition walls have collapsed," said Mr Balcombe.

Overall losses will be high but are likely to be widely spread across the London mar-

ket. The UK composite (general and life) companies could be badly hit.

Claims will aggravate the difficulties of insurers who have recently completed reporting pre-tax losses in excess of £1bn for last year.

Loss adjusters Robins, Davies & Little are still examining the extent of damage to the CU tower, but brokers estimated yesterday that the cost of physical damage alone could amount to more than £200m.

In the City the firmest indications of losses have come from the Baltic Exchange, the ship freight market badly damaged by the first blast on Friday night, where rebuilding costs would amount to £150m, according to Mr Peter Tudball, chairman.

Royal Insurance confirmed that it led the exchange's insurance placement.

Insurers are also likely to face dozens of more modest claims from tenants of scores of buildings in the vicinity.

Damage to windows and to the interiors of a number of offices has been surprisingly severe.

Mr Michael Wade, chairman of brokers Holman Wade occupies a building on Cannon Street overlooking the Baltic Exchange, says that his company's claims for replaced windows alone will amount to more than £100,000.

At Staples Corner, the site of the second blast claims amounting to more than £50m are expected from the owners of as many as 15 factory and warehouse units.

A superstore owned by B & Q destroyed by the blast was adjacent to the explosion, but most other properties are over a quarter of a mile away.

## Capel resumes service by 7am

STAFF at James Capel, the securities house, worked through the weekend to construct a replacement dealing room after surveying damage to its building from the IRA's bomb, Andrew Jack writes.

Telephones, computers and furniture were installed in spare premises in Devonshire Square to provide a full dealing service by 7am yesterday.

The firm said: "It was a Herculean task but we built a whole separate dealing room on the chance we would not be allowed back into our premises."

Twenty staff assessed damage at the Bevis Marks site on Friday evening, and up to 100 people were involved around the clock at the weekend.

The Stock Exchange loaned

35 Topic screens carrying its share dealing information service, while Reuters provided trading screens and Midland Bank offered office equipment.

The firm's directors met on Sunday lunchtime to decide which departments should be reduced in number and which staff would be essential to permit trading at normal levels.

A team of staff called all Capel's 1,000 employees on Sunday night with instructions on where to attend in the morning. About 300 were told to remain at home. The settlement department moved to the Devonshire Square site, but many staff were allowed to go back to work in Bevis Marks.

Mr Peter Letley, finance director, said: "Both buildings are running smoothly."

## Experts warn cities to prepare for further attacks

By Neil Buckley

TERRORISM experts yesterday warned London and other cities to brace themselves for further IRA attacks, but said it was impossible to predict the precise tactics the terrorists might use.

The explosions in the City and at Staples Corner in north London on Friday were the first IRA car bombs on the mainland since the Harrods bombing in 1983.

Some experts had suggested that this attack could mark a return to the use of precisely aimed large bombs rather than the smaller devices and firebombs used on the transport system and in shops. But Mr Ian Geldard, editor of Conflict International, a journal which monitors international terrorism, said: "I do think we are going to see more actions, but it is impossible to

predict what tactics they may use and where."

The City, with its narrow streets, tall buildings - which tend to magnify the effect of explosions - and large areas of unsecured glass, has been shown to be a particularly vulnerable target. But Mr Geldard said this did not necessarily mean it would suffer repeat attacks. "The IRA is constantly changing its strategy and tactics. They have moved from targeting military bases to letter bombs, mortar bombs, and smaller devices aimed at transport, and now they've reverted to car bombs. They try to keep everyone guessing."

Experts believe the primary aim of Friday's bomb was to cause widespread damage and disruption, and that the large number of civilian casualties may have been the result of a miscalculation by the IRA, which was not expecting so

many people still to be in the City in the evening. "If they had really wanted to cause massive civilian casualties they could have timed the bomb to go off at lunchtime," said one specialist. The

explosion took place at the point where the M1 motorway and A5 trunk road, two of the main traffic arteries to the north, disgorge their traffic into the London road system.

As well as blowing a crater in the Staples Corner roundabout, the force of the explosion went upwards and stripped concrete off the reinforced box-girder bridge carrying the A5 over the junction. Highway engineers believe it may be possible to repair the bridge by recasting it with concrete, but are unlikely to reach a final verdict on the feasibility of this until after Easter. Meanwhile, the bridge and half the roundabout remain closed and traffic congestion is severe.

The difficulty in preventing a recurrence is that access to roads is even more open than it is to the railways and the Tube. The only grounds for suspicion may be that a vehicle is unlawfully parked. But as Scotland Yard said: "If we asked people to report every sighting of an illegally parked vehicle, we would end up in a state of chaos."

means disruption not just for hours or days, but for weeks and possibly months.

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conceded little could be done to make a large area safe against car or parcel-type bombs without intruding into privacy. Moreover, if such intrusion became commonplace, the terrorists could be said to have succeeded in their aim of causing disruption.

Mr David Fletcher, chief executive of the British Security Industry Association, suggested that City companies could set up a network of video cameras constantly recording movements in surrounding streets. Many banks and building societies already monitor their premises with closed-circuit television and other companies might be persuaded to follow suit to produce near City-wide cover. Mr Fletcher said the threat of being caught was one of the few effective deterrents to terrorists. "If someone sees a camera and knows he might be recorded

doing what he is doing, then he might decide not to do it." Friday's bombing also highlighted how badly prepared the City was for such an attack. Mr John Wyatt, a leading anti-terrorism expert, said there were several relatively cheap ways of making buildings less susceptible to blast damage.

● Anti-shatter film on the inside of windows.

● Polymer-modified gypsum on internal plaster to stop plaster cracking into dangerous fragments.

● Special net curtains designed to billow inwards when glass shatters, keeping the fragments inside.

● Vulnerability assessments or demographic surveys by security consultants.

Companies may now decide that the relatively small expense of employing these damage limitation devices would be a sound investment.



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## TECHNOLOGY

One of the great inventions of the 20th century, the cathode ray tube (CRT), is heading towards obsolescence. The challenge in the vast and constantly growing market for television and computer screens is liquid crystal.

The quality of liquid crystal display (LCD) screens - which are thin, flat and portable - has leapt forward in recent years. Sharp, the Japanese electronics company, sold the world's first calculators with LCD screens in 1973. After nearly two decades of research and development, however, LCD panels on personal computers are still seen as a poor substitute for the CRT.

Yet this view is quickly becoming outdated. Sharp is now marketing 8.6-inch colour televisions in Japan with brilliant colours and fast response. NEC last year began marketing portable computers with full-colour LCD screens using the most sophisticated thin film transistor (TFT) technology, in which contrast and response time are boosted by adding a transistor to each display cell or pixel. IBM recently announced a similar product.

While brightness and the restricted viewing angle on LCD screens need to be improved, the quality of these screens will gradually change the popular perception that LCD is a second-rate technology. Even more important, manufacturing yields on high-end products for this extremely difficult device are beginning to approach respectability, raising the prospect of a classic virtuous circle in new product technology. As yields rise, manufacturing costs and prices are dropping rapidly. This in turn is stimulating growth in the market, which again encourages more investment, improved technology and lower prices still.

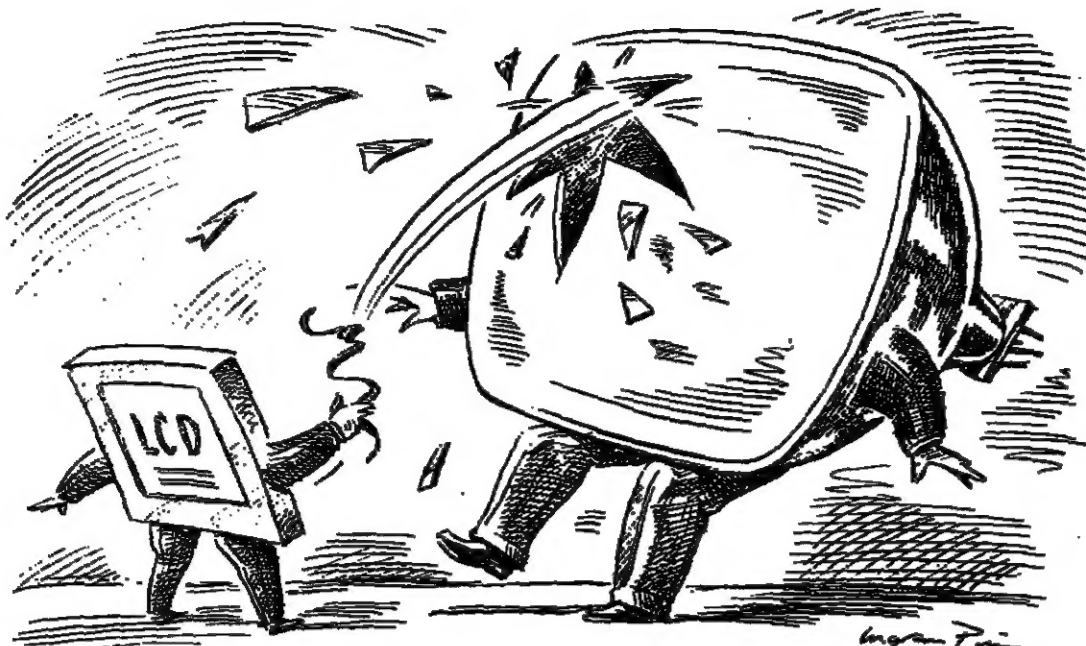
Japanese companies, the only significant producers, are talking about a quadrupling of the market in a few years, compared with 1991 production of ¥256bn. Last year production grew by 40 per cent, compared with 33 per cent average growth in the past five years. LCD screens have become one of the few bright spots in an otherwise dull outlook for the electronics industry.

Few people, other than television picture tube manufacturers, will mourn the decline of the CRT. Anyone who has gone home bleary-eyed after spending the day staring into the flickering display of a personal computer knows why it needs to go. The flickering may be faster than the eye can perceive, but it still causes fatigue. The latest LCD screens, by contrast, display a solid, sharp image that holds steady.

Worries about electromagnetic radiation fields surrounding the CRT, and its effect on pregnant women, will also hasten its demise

Steven Butler explains how the old-fashioned picture tube is fighting for life against liquid crystal displays

## Coming soon to a screen near you



for many uses. CRTs are bulky, heavy, use lots of electricity and cannot be made perfectly flat, unlike LCD panels. Yet in spite of its drawbacks, the CRT will not be easy to replace because the technology is so well established.

In the past year electronics giants such as Sharp, Matsushita, NEC, Canon, and Toshiba and IBM (in a joint venture) have joined a race to meet growing demand by committing hundreds of millions of dollars to manufacture colour LCD screens.

Liquid crystals, which display properties of both solids and liquids, were first discovered in 1828, but it was not until 1963 that scientists at RCA, the US electronics group, discovered the principle that lies behind all LCD displays: that an electrical charge causes liquid crystal molecules to realign and channel light waves.

In simple LCD devices, known as twisted nematic (TN), liquid crystal molecules are held in a double sandwich of polarising filters and glass plates. The filters sit on the outside of the sandwich and are turned at

90 degrees, which blocks light passing straight through the glass.

The liquid crystal, however, is also aligned at 90 degrees by grooves in the glass. This causes the light to twist and the filters to be neutralised. But when electricity is applied to the liquid crystal, the molecules straighten and the light is again blocked by the filter. The end result is that display cells can be made to lighten or darken as their opaqueness is switched off or on by electricity.

Unfortunately, however, when a display is increased in size the contrast between dark and light areas of the screen tends to decline. To compensate for this, LCD makers have sought to increase the twisting effect and thereby heighten contrast as light is refracted.

In "super twisted" nematic displays (STN) light is twisted by between 180 and 260 degrees, producing the blue screens familiar to portable and laptop computer users. In "double super twisted" nematic (DSTN) displays, two STN cells are used, twisting the light one direc-

tion and then back, so that light of high contrast is possible.

In a final variation of this theme, "triple super twisted" nematic (TSTN), refracting polymer film is applied to the STN cell, allowing thinner displays with a high degree of contrast, thus permitting colour display when red-blue-green filters are attached to the cells.

These elaborations on the simple LCD mechanism, however, have a range of shortcomings. While the TN contrast ratio of 1:6 is increased to 1:20 for TSTN, this is still insufficient to reproduce the entire range of colours familiar in a colour picture tube. Furthermore, response times of 150 milliseconds are insufficient to keep up with moving video images, and cannot track a mouse moving across a screen.

In answer to these shortcomings, the industry is moving in two directions. Most companies are improving displays by adding a tiny transistor to each cell in order to increase the charging power. This technology, called thin film transistor, boasts a contrast ratio of 1:100,

allowing for full-colour displays and response times fast enough for video display. The result, however, is a device of staggering complexity, including at least 10 layers of materials, finely etched circuitry, and transistors that are shorted out by a microscopic speck of dust.

Canon, the camera and office equipment company, is moving in a different direction, using a proprietary technology that is likely to grab a big section of the market for engineering workstations and desktop publishing.

Canon's "ferroelectric" displays use a liquid crystal material which responds more quickly to electrical charges. The molecules are more difficult to align and control than normal liquid crystal chemicals, yet after solving these problems Canon has developed a screen that has higher contrast and faster response times than other simple matrix systems. The screen also promises to be much cheaper to mass produce than TFT screens because no transistors are required.

The relative sensitivity to shock of ferroelectric displays makes them unsuitable for portable computers, however, and the response time is insufficient for video. Colour reproduction is also inferior to TFT, although photographs can be displayed with sufficient fidelity to allow easy computer editing.

Yet the remarkable high quality and stability of the display - looking almost like printed paper behind glass - could make it the biggest threat yet to the CRT in offices. Indeed, when Canon finishes a new manufacturing facility in 1994, it will enter the market at the high end, with 15-inch screens which it hopes eventually to sell at a price similar to that of the CRT.

The CRT looks likely to prevail for TV picture tubes larger than 15 or so inches. This is because large LCD screens are still too difficult to make. But beyond 36 inches LCD once again comes into its own as the core of video projection devices, including high-definition television.

Yet the technology for LCD has been evolving so rapidly that it is difficult to project how the market will develop. Research into a range of radically different approaches to flat panel displays is also continuing apace. The inherent complexity of LCD manufacture, has raised fears that it could be made obsolete quickly by a simpler technology.

The investment by electronics companies into LCD manufacturing facilities is an impressive sign that the technology has come of age. This commitment by the industry itself should help the market to become established quickly.

A further article on LCD technology, addressing the manufacturing challenges, will appear on Thursday.

## Technically Speaking

## Making virtual reality a certainty

By Alan Cane



IN A handful of laboratories around Britain, strangely garbed figures gesture late into empty space. They are experimenting with "virtual reality", an advanced form of computer simulation which many believe could make a profound contribution to most activities where humans interact with computer systems.

Leisure, in the form of advanced video games, is an obvious application. Education, training and scientific research are other possibilities.

But virtual reality does itself no favours with a name redolent of science fiction and alien worlds. The apparatus needed to make it work serves also to drive a wedge between VR evangelists and other people. This may be the most difficult barrier to finding general acceptance and support for a technology which could prove as important as Apple Computer's windows and mice in demystifying data processing.

A helmet must be worn bearing "accelerometers" which calculate where the eyes are looking; a pair of miniature television screens beam the correct image directly into the eyes. A heavily wired glove must be worn to allow tactile sensations - the feeling of moving a molecule from one site to another like balls or a snooker table, perhaps, or holding a ray gun to zap imaginary opponents.

W Industries, a UK-based leader in VR, calls its helmet the "visette", its tactile device the "space stick" and its VR computer "spacepal".

Stripped of the science fiction aura, however, VR is simply a kind of sophisticated computer simulation in which the UK seems especially skilled. Well-established software houses like Admiral, for example, build traditional simulators to train the pilots of the British and foreign air forces.

The five-year old W Industries, founded by Jonathan Waldern and based in Birmingham, took a year to build its first arcade game and now has 170 units installed worldwide at more than £35,000 a sys-

tem. The Trocadero Centre in London's West End houses a number of examples of "Virtuality", as Waldern describes his creation. It has been funded to the tune of £2.4m by Apex Partners with a view to flotation in three years.

Division, a tiny company formed in 1988 by a group of researchers in parallel processing, has signed an agreement with International Business Machines to develop a computer-aided design workstation based on VR. The idea will be to take in patterns from existing computer-aided design systems and convert them into three-dimensional worlds.

Hull University, meanwhile, has appointed Europe's first university chair in VR. Roy Kalawsky, a chief engineer at British Aerospace, has been appointed visiting professor of virtual reality environments.

The astonishing thing about VR is how inexpensive it has become to create advanced simulators. Division's transparent system starts at £30,000. W Industries' arcade machines are based on Commodore Amiga personal computers.

The interface hardware, however, is primitive. You can call a wired helmet and glove a visette and spacestick but it is still a cumbersome way to communicate with a computer. The analogy has to be with the earliest computers when the teletype was the only way to input or retrieve information. Inevitably, there will be improvements.

The real secret of VR lies in the software. W Industries is building a library of games to add to its jump jet, space battle and stock car racing simulators.

Division is trying to create a new way of communicating with the computer for as whole range of activities from business statistics to pharmaceutical research.

Companies like Microsoft have garnered a fortune from computer interfaces a hundredth the sophistication of what W Industries and Division are trying to achieve. VR could be the UK's toehold in tomorrow's computing. It would be sad if its real significance was trivialised by hyperbole and futuristic glitter.

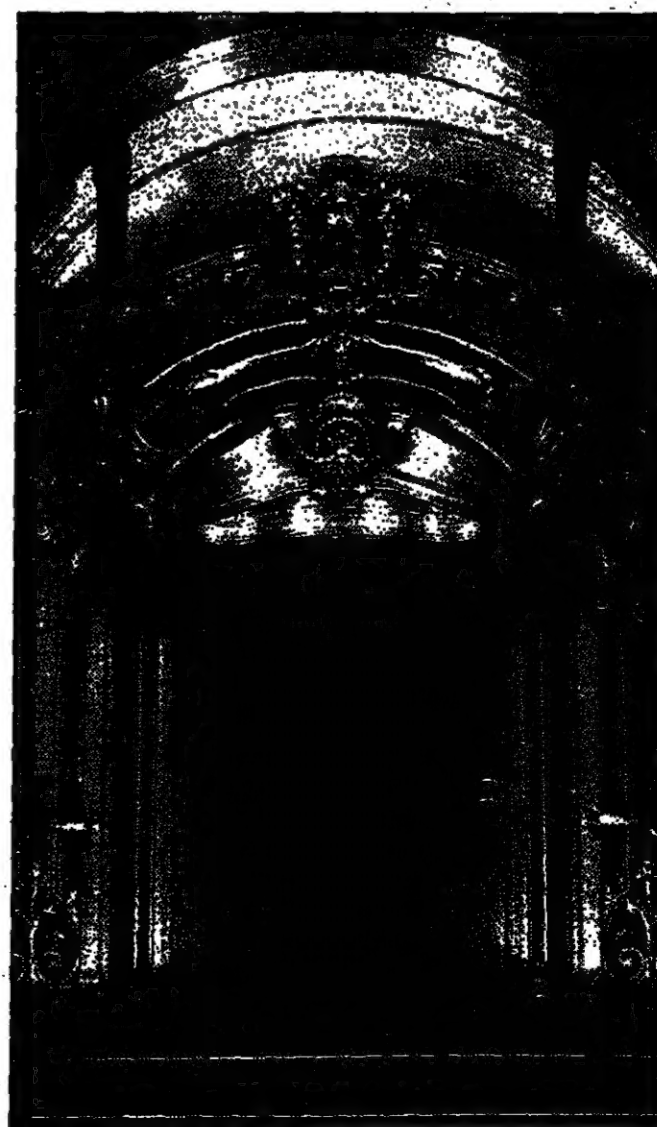
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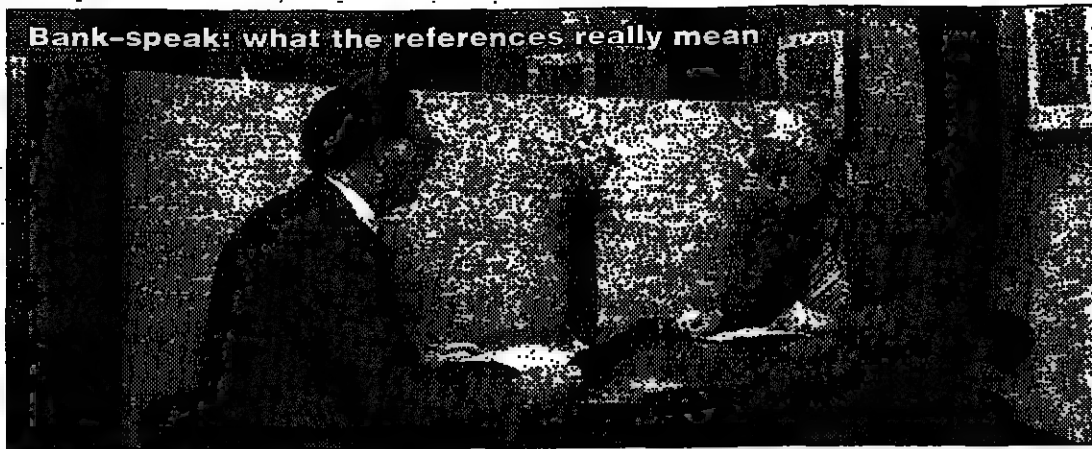
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## MANAGEMENT: THE GROWING BUSINESS

# When bankers talk in mumbo-jumbo

Charles Batchelor reads between the lines of credit reports



Bank-speak

|   |  |
|---|--|
| "Undoubted"                                       | Highest praise. Not too common   |
| "Highly respectable"                              | Indication that applicant is sound and further inquiries not necessary                   |
| "Respectable..."                                  | Usually qualified as below   |
| "Respectable - considered good for your inquiry"  | Satisfactory   |
| "Respectable but unable to speak for your figure" | Satisfactory but never tried to the limit requested, ie. unknown                         |
| "Figures larger than we expected to see"          | Pause. Check further. Biting off a bit much  |
| "Unable to speak for your inquiry"                | Damning. (Or else a new account - in which case why was this bank given as a reference?) |

## You should always

- Specify a figure
- Use a figure at least 100 per cent more than necessary
- Beware if bank reply does not use adjectives such as "honest", "respectable", "trustworthy", or similar

"It is difficult," acknowledges Bruce Kelsall, head of marketing communications at Barclays Bank. "You have to be careful not to say something which is detrimental to the interests of the customer. There is a delicate line between honesty and that."

Bank managers are sometimes kept in ignorance of their customers' financial difficulties. "One of the last people the businessman wants to alienate is his bank manager," comments Philip Mellor, spokesman for Dun & Bradstreet

International, a credit rating and business information group.

A bank reference is, strictly speaking, only valid at the time when it is given, although a business is normally expected to trade for several months with the customer who is the subject of the inquiry. "It is purely there for that day. It is a snapshot," says Lloyd's Bank's Pat Oakley.

This limited view of the validity of the bank's opinion (and carry a disclaimer that they are "without any guarantee or responsibility on the

part of this bank or its officials".

Clam-Brummer, an east London manufacturer of industrial adhesives, says one of its customers was put into receivership by its bank six days after the bank had provided a satisfactory reference. Unfortunately, Clam-Brummer had already made a £1,000 delivery.

It continues to use bank references on new customers as a rough filter to weed out the unscrupulous customer but places more reliance on trade references, says Jane Lyon, managing director.

But bank references do offer a number of advantages:

● They are often the only way of checking up on the newly-started business or the small, unincorporated business which has yet to attract the attention of the credit reference agencies.

● If the bank manager has good contacts with his customer, he may have more up-to-date information than a credit reference agency which will only update its files on smaller companies relatively infrequently.

● They are either free or relatively cheap. TSB charges a £5 fee (plus VAT) to inquire; Barclays £6.50; and Lloyds £7. However businesses which make extensive use of bank references can run up sizeable bills. Star Cargo makes between 100 and 300 inquiries a week and spent £10,000 in a recent quarter.

Bank references owe much of their continuing popularity to the limitations of the alternative methods. Trade references are preferred by many companies but they, too, are subject to manipulation. A company will only suggest referees which it knows will give a favourable report. A back-up telephone call can, however, fill in gaps and probe any inconsistencies.

Credit rating agencies provide a comprehensive service with a frequently exhaustive wealth of assessments of company performance. But despite the protestations of the agencies that they update their files regularly, many businesses suspect that much of their information, based on accounts filed at Companies House, is out of date.

A credit agency reference is also more expensive than a bank reference. Dun & Bradstreet says a one-off request for information would cost £45 plus VAT, though the average cost to a subscriber would be nearer £25. D&B does however also operate a more basic telephone inquiry line known as Dunsvoice which costs £8 per call.

Despite the more thorough and impartial reports provided by the credit rating agencies, the bank reference has retained a role. It provides a cheap and speedy check on customers but should not be relied on as the only source of information.

## In a Nutshell

### Getting your own back on VAT

Businessmen and women can, in theory, reclaim the Value Added Tax (VAT) they pay on expenses incurred during trips abroad. In practice the accounts are often too small and the red tape too complex to make it worthwhile to pursue.

VAT rules and rates differ from country to country in Europe with VAT reclaimable, for example, on the cost of car hire in Belgium, but not recoverable in Eire or Greece.

The VAT Clearing House says it offers a VAT recovery service which will allow business travellers in Europe to reclaim VAT paid on items such as hotel bills, meals, car hire, conferences and exhibitions. It charges 12.5 per cent of the VAT recovered regardless of the size of the claim.

VAT Clearing House, 80 Ebury Street, London SW1W 9DD. Tel 071 730 8705.

### Lifting the lid on venture capitalists

Venture capital has become well established as a method of financing businesses over the past decade but many entrepreneurs are still puzzled by the workings of the industry. A Guide to Venture Capital has been published by the British Venture Capital Association (BVCA) to help the seeker after venture funding.

It covers topics such as whether to raise venture capital, how to choose an investor and how an investor appraises a business plan. It provides a guide to living with a venture capitalist as a shareholder, the role of professional advisers and ways of realising investments.

From BVCA Secretariat, 3 Catherine Place, London SW1E 6DX. Tel 071 233 5212. 36 pages. Free.

### Chambers chase quality standards

Three UK chambers of commerce have had their quality control procedures approved by the Association of British Chambers of Commerce as a

further step in the association's programme to improve services to members.

Chambers in Birmingham, Kirkcaldy and Norwich have been approved and a further 20 should reach this stage by the end of the year. Approval by the association's own inspectors is intended to be the first stage in a process leading to accreditation under the British Standard Institution's quality control standard, BS 5750.

Chambers must meet minimum standards of export assistance, business information, education and training.

### Backward in coming forward to claim cash

Small businesses frequently complain about how slowly their customers settle debts but they are reluctant to do anything about it. Eighty per cent of small businesses have suffered cash flow problems as a result of being owed money but only 20 per cent take action to pursue this money within 10 days, according to a survey by REL Consultancy Group.

More than half waited until the money was at least two weeks overdue before making contact with the debtor while three quarters continued supplying customers who were at least 30 days late.

Half of the respondents to the survey never employed a third party such as a debt collection agency to recover a debt.

The Impact of Overdue Debt on Investment and Capital Expenditure. REL, Park Gate, 21 Tophill Street, London SW1H 9LL. Tel 071 222 1212.

### Landlords learn how to pull customers

The upheavals in the brewing industry which followed the publication of the Monopolies and Mergers Commission report in 1989 have prompted increased demand for business training for pub landlords.

Entrepreneur, a pub leasing company owned by GrandMalt Estates, provides a pub training course for new licensees for a fee of £560 plus VAT repayable if the participant takes a pub on through the company.

Existing leaseholders in Bass pubs can improve their business skills under a training programme devised by the Sheffield Training and Enterprise Council and the Bass Lease Company.

Entrepreneur. Tel 0844 261526. Senta Tel 0742 755721.

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For further information and details contact:  
SRE Hancock, Joint Administrative Receiver, United Meat Packers (Wales) Limited, c/o Price Waterhouse, Livery House, 169 Edmund Street, Birmingham B3 2JB. Tel: 021-200 3000. Fax: 021-200 2902.

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- For further details, please contact the Joint Administrative Receiver: Scott Barnes, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. Tel: 071 383 5100 Fax: 071 383 4077

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Principals only are invited to write for further details to: The Chairman, Box H6732, Financial Times, One Southwark Bridge, London SE1 9HL.

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**(In Administrative Receivership)**

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FOR FURTHER INFORMATION CONTACT:

John Donnelly, Deloitte & Touche,  
Official Liquidator, Dublin Cargo Handling Limited, (In Liquidation),  
Deloitte and Touche House, Earlsfort Terrace, Dublin 2, Ireland.  
Telephone: Dublin 754433. Fax: Dublin 756622.

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Andrew Whiteford/  
Patrick Ryan  
Tel: 071-486 4231  
Fax: 071-935 4032

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Andrew Duncan/  
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For further details please contact:

Graham Ritchie or John Hall, Ernst & Young,

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Telephone: 031-556 8641. Fax: 031-558 1065.

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**BUSINESS FOR SALE  
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The business and assets comprising a chalet and caravan park, are for sale by its receiver, Mr Alan Jamieson.

- 6 acre site.
- Freehold title.
- 42 chalet plots; 68 static caravan pitches occupied.
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- Leisure complex.
- Trout fishing rights.
- Easy access to town centre and Cairngorm ski area.

For further details contact Roy Durie or Alastair Coates at: Ryden, Property Consultants & Chartered Surveyors, 48 Castle Street, Edinburgh EH2 3BN. Tel: 031-225 6612. Fax: 031-225 5766.

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Interested parties please reply to Box  
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G.A. Corporate Services,

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## PEOPLE

## Rada's hands-off experience for Digital

"What specific experience do you have that qualifies you for this job?" If that standard question had been put at an interview to the man just appointed as Digital Equipment's European director of strategy, he would have answered in one word: "None."

Chilean-born Dr Juan Rada, who is to take up the post on May 1 at the age of 40, has never held a full-time industrial job. His previous career has been in management education, culminating in the director-generalship of the IMD International business school

in Lausanne, Switzerland, where he was also professor of technology management.

"I've nevertheless worked with industry a lot, not least Digital itself," he says. "And being director-general of the school involved me very much in line-management work, including a merger."

IMD was formed in 1988-89 by amalgamating Geneva's IMI school with the INEDEC school in Lausanne. Oddly enough, Digital Europe's president and chief executive Pier Carlo Falotti is chairman of IMD's advisory council.

"We've been friends for years," adds Rada who will work closely with Falotti as his director of strategy and new initiatives, based in Geneva. "He's a man who practises management as I've learned it needs to be - a process of coaching your people to apply their own ideas and supporting them, as opposed to just bossing them around."

As for IMD, it is being run for the time being by Professor Xavier Gubert while a committee looks for Rada's replacement. "I hear they have some very good candidates," he says.



Rada: strategic thinker

## Salomon takes gilt from Greenwell

Salomon Brothers International, on a drive to increase its share of the gilt market, has hired 28-year-old Michael Brook, one of Greenwell's top young salesmen on the gilt-edged team.

While Salomon's gilt operation suffered after the US treasury bond rigging scandal last year, the US investment house claims now to be rebuilding successfully, and says it is poised to make effective use of the vast increased supply of gilts expected over coming months.

Bob Pearce, head of gilt sales, says of Brook: "Money is not the over-riding thing in this appointment. It is more the potential for career development; if you subscribe to the idea of convergence of European bond markets on the way to a single currency, you have to believe there will be an increasing amount of cross-market activity. Ours is a shop where you can take full advantage of that (because of the strong presence in other European markets)."

Brook's departure is another blow for Greenwells which, as well as last year's senior defections, has just lost two other gilt salesmen to Goldman Sachs. While Greenwell's parent Midland denies that these moves will affect its position in the marketplace, attempts to capitalise on its gilt strength so as to develop a flourishing European bond business have so far come to little.

■ Ron Reilly has been promoted to md of PEERLESS FOOD PRODUCTS, a division of Acates and Hutchison; he succeeds James Falconer who has been appointed md of Pura Foods, the group's retail division.

■ Anthony Orvis, formerly md of Westmill Foods, part of ABF, has been appointed md of JLI's food processing division.

■ Jonathan Radford, group secretary of STAG FURNITURE HOLDINGS, has been appointed to the board.

■ Jim McGill has been appointed treasurer of HERTZ EUROPE; he moves from Arjo Wiggins Appleton.

■ Conor McCarthy has been promoted to chief executive of AER LINGUS COMMUTER.

■ Philip Yee, currently director of financial control at Guinness, is appointed finance director of GUINNESS BREWING WORLDWIDE.

■ Gordon Midgley is appointed director and general manager of Dunlop Precision, part of

■ Jack Criswell has been promoted to md of AMOCO (UK) EXPLORATION on the retirement of Charles Carr Jr.

■ Robert Bowden, formerly a senior partner of Conrad Rittblat, has been appointed property investment director of THE BRITISH LAND CORPORATION.

■ Tony Maynard has been promoted from marketing director to become md of Parker Knoll, part of CORNWELL PARKER.

■ Martin Fear, formerly design director of Derwent Upholstery, part of Hillsdown, will become md of GP&J Baker, another subsidiary, from July; John Kitching resigned in December.

■ John Gerry has been appointed md of WICKES BUILDING SUPPLIES.

■ Andrew Jenkinson is promoted from finance manager for Prudential Financial Services to become finance director of PRUDENTIAL PORTFOLIO MANAGERS.

## Thorn executive switches to B&amp;J

After the shareholder-inspired board room shake-up at Brown and Jackson in February, the group, which runs the Poundstretcher discount retail chain, has now appointed a new finance director. He is Robert Ellis, who used to work for the rental division of Thorn EMI, the consumer electronics company.

It can be no coincidence that Ian Gray, who was brought in as chief executive in February by institutional shareholders, was formerly in charge of Thorn's UK rental division. Gray says B&J now has "the management structure, the skills and the experience" to exploit the group's strengths.

The former finance director, Mike Kerrison, is staying on the board, and Henry Bliss is dropping the post of corporate development director but taking up a new role in the group.

## Tarmac stiffens its board

Tarmac, Britain's biggest building materials and construction group, has taken a further step in strengthening its board. Sir John Banham (right), the retiring director general of the Confederation of British Industry, and Sir Anthony Gill (far right), chairman and chief executive of Lucas Industries, have been appointed non-executive directors.

The move to add two well-connected names to the board comes just two months after the 56-year-old Sir Eric Pountain, Tarmac's chairman for



the past 13 years, handed over the chief executive's baton to Neville Simms, 47, head of the group's construction division.

Although there are several non-executive directors on the Tarmac board, there has been a feeling in some circles that it could do with some rejuvenation.

The Duchess of Devonshire and Sir Nicholas Henderson, the two outgoing non-executives, are both in their 70s and have been on the board since the early 1980s.

Sir John, 51, became director general of the CBI in 1987 after four years as controller of the Audit Commission. Sir Anthony, 62, who has headed Lucas since 1987, joins the board with immediate effect. Sir John's appointment takes effect from July when he steps down from the CBI and will also join Sir Anthony as a non-exec at National Power.

## FT LAW REPORTS

## Fayed disciplinary decision stands

REGINA v PANEL ON TAKE-OVERS AND MERGERS, EX PARTE FAYED AND OTHERS. Court of Appeal (Lord Justice Neill, Lord Justice Scott and Lord Justice Steyn): April 3 1992

A PERSON who is subject to disciplinary proceedings by the Panel on Takeovers and Mergers has no legitimate expectation that the Panel will await the outcome of pending litigation against him before conducting those proceedings; and the court will not intervene to halt the proceedings if there is no arguable case that they would be likely to prejudice the conduct or trial of the litigation.

The Court of Appeal so held when refusing an application by Mr Mohammed Al Fayed and his two brothers for leave to apply for judicial review of a decision of the Take-Over Panel not to adjourn disciplinary proceedings brought against the Fayed's by the Panel executive.

LORD JUSTICE NEILL said that in November 1991 the Fayed brothers acquired a 29.9 per cent stake in House of Fraser Ltd, through a subsidiary of their Liechtenstein company.

The subsidiary, which changed its name to House of Fraser (Holdings), bought the shares from Lomrho plc.

Lomrho had for some time been attempting to acquire control of House of Fraser but had not been able to complete the purchase because of an undertaking given to the secretary of state for industry not to acquire more than 30 per cent pending determination of a reference to the Monopolies and Mergers Commission.

On March 4 1992, Holdings announced a cash offer for the balance of the House of Fraser share capital.

Under the rules in the City Code on Take-overs and Mergers, an offeror who already held 29.9 per cent of the shares in a company was not permitted to acquire shares in the market until seven days after announcement of the bid.

On March 11, Holdings bought sufficient shares in the market to bring its holding to more than 50 per cent.

On March 14, the secretary of state announced that the merger would not be referred to the MMC. As a result, Holdings was able to acquire House of Fraser by the end of March.

On March 10 1987, Lomrho issued a writ against the Fayed's, Holdings and some of their advisers.

It alleged that Holdings and the Fayed's induced the secretary of state to refrain from referring the proposed acquisition to the MMC by means of false and fraudulent representations about themselves and their background and their source of finance. It claimed for the lost opportunity to acquire House of Fraser without competition, and sought damages for interference with business by unlawful means.

On April 9 1987, DTI inspectors were appointed to investigate the affairs of Holdings, and to look at the circumstances surrounding acquisition of the shares.

On July 23 1988, the inspectors reported to the secretary of state. On March 7 1990, the report was published. It was severely critical of the Fayed's, and attracted publicity.

In January 1991, the director-general of the Panel wrote to Mr Fayed stating that the report contained evidence which suggested there might have been breaches of General Principle 12 of the City Code.

He said the Panel was focusing on the content of three press releases, and the offer document of March 23 1988.

General principle 12 was that "any document... addressed to shareholders containing information... shall... be treated with the highest standards of care and accuracy."

On November 1, the date for the disciplinary hearing was agreed for December 8.

On November 11, Mr Fayed's solicitors raised the possibility that they would seek an adjournment on the ground that the Panel's finding might prejudice their clients' position in the 1987 litigation. They said they understood the Panel's practice was to defer action until litigation was resolved.

On November 15 the Panel's secretary replied.

In paragraph two, his letter said there was no established practice which automatically required the executive to defer

action on potential breaches of the Code until litigation was resolved, and that each case was determined on its facts.

He said in the light of publication of the inspectors' findings, the executive did not consider that a ruling by the Panel would prejudice the Fayed's position in the litigation.

The application for an adjournment was heard by the Panel on December 6 and was refused. An appeal was dismissed by the appeal committee on December 18.

The Fayed's issued High Court proceedings seeking leave to apply for judicial review. The application was dismissed.

On the present application for leave, the Fayed's primary argument was that the disciplinary proceedings should be adjourned until after the hearing of the 1987 action.

The action would probably be heard early in 1994.

Mr Oliver for the Fayed's submitted that conduct and trial of the 1987 action would be prejudiced if the disciplinary proceedings were not adjourned.

He argued *inter alia* that the Fayed's would be denied a legitimate expectation based on an extract from the Panel's 1977 annual report, which said: "The Panel would normally consider it inappropriate to pursue an investigation into the conduct of parties to a takeover or merger at a time when that conduct is the subject of legal proceedings..."

It was said the Fayed's had a legitimate expectation that that policy would be followed unless good reasons showed the case was exceptional, and that there was no such reason.

The argument was flawed for a number of reasons:

(a) A general statement of the kind made in the extract from the 1977 report could not by itself give rise to a legitimate expectation of anything. The statement was at large and not directed to any particular group.

(b) The Panel was free to change its practice at any time without notice. The legitimate expectation doctrine could not be used to restrict its right to adopt what it considered the proper practice in the individual case.

(c) "Legitimate expectation" was a particular manifestation of the duty to act fairly. In the

present case, where there were no binding rules to be observed, a legitimate expectation could amount to no more than a right to be treated fairly.

(d) The Panel's executive had, in fact, given a reason for not following the "usual practice" in paragraph two of the secretary's letter of November 15 1991.

The court could intervene to prevent injustice where continuation of one set of proceedings might prejudice the fair trial of another. But it was a power which had to be exercised with great care, and only where there was a real risk of serious prejudice which might lead to injustice.

There was no arguable case that there was any real risk to the conduct of the 1987 action or to the fairness of the trial.

There were no arguable grounds for judicial review. The application for leave for dismissal.

LORD JUSTICE SCOTT concurring, accepted that generally a tribunal carrying out a quasi-judicial function ought not to depart in an individual case from its general rules of procedure without good reason. That proposition was based not on "legitimate expectation" but on the principle that a tribunal ought in general to apply the same procedural rules to similar cases unless justified by some good reason.

The Fayed's and their advisers had known all along the reasons relied on, namely the absence of any real risk of prejudice to the outcome of the 1987 action.

There had been no failure of due process and the Panel's departure from normal practice did not constitute an arguable case for judicial review.

LORD JUSTICE STEYN also concurring, said the 1977 policy statement amounted to no more than a general policy guideline. The decision whether disciplinary proceedings should await the outcome of civil proceedings or precede it was a matter for the unfettered discretion of the Panel.

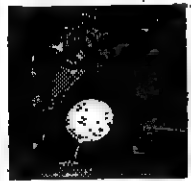
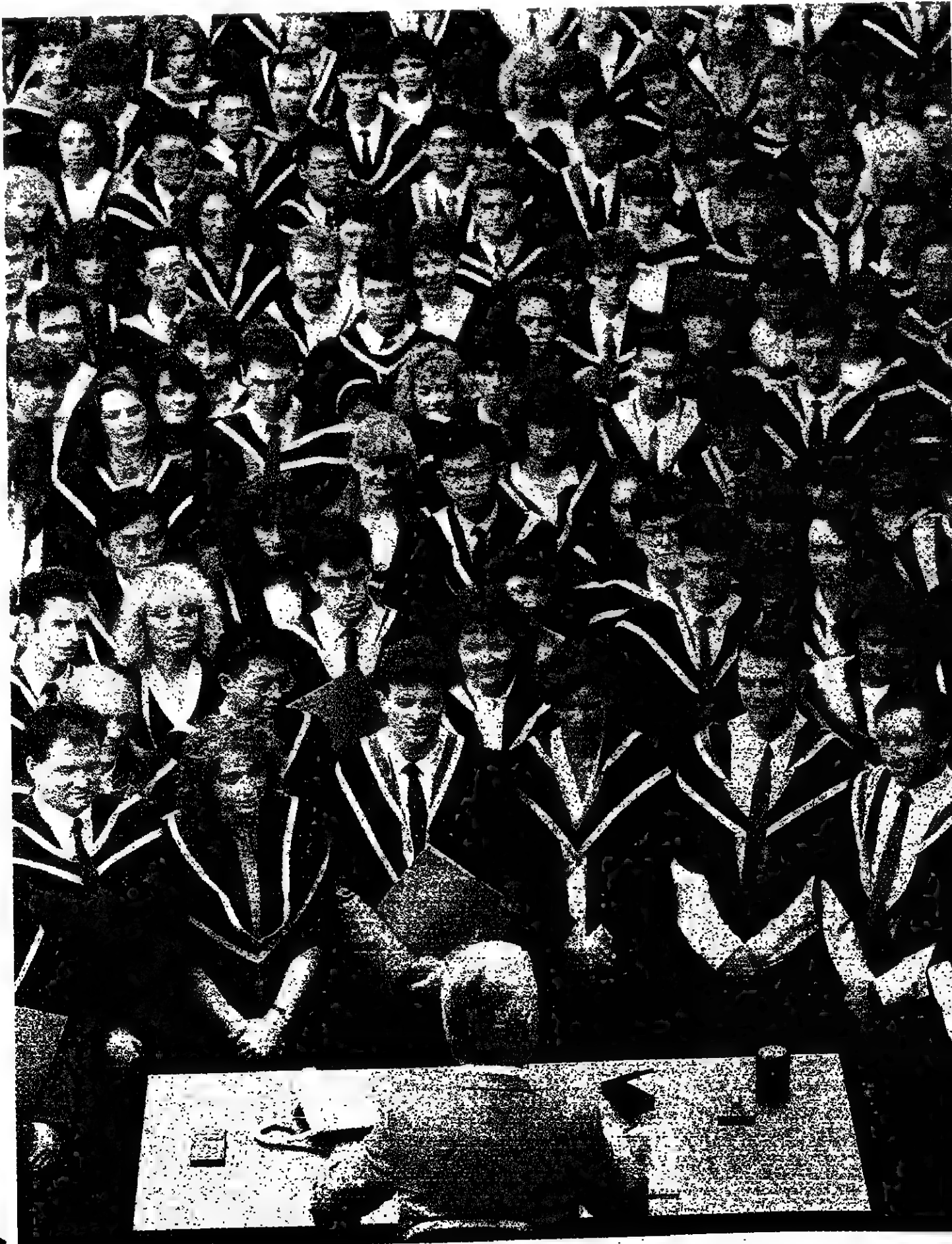
For the Fayed's: David Oliver QC and Paul Goulding (Herbert Smith).

For the Panel: Timothy Worthington (Freshfields).

Rachel Davies

Barrister

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## ARTS

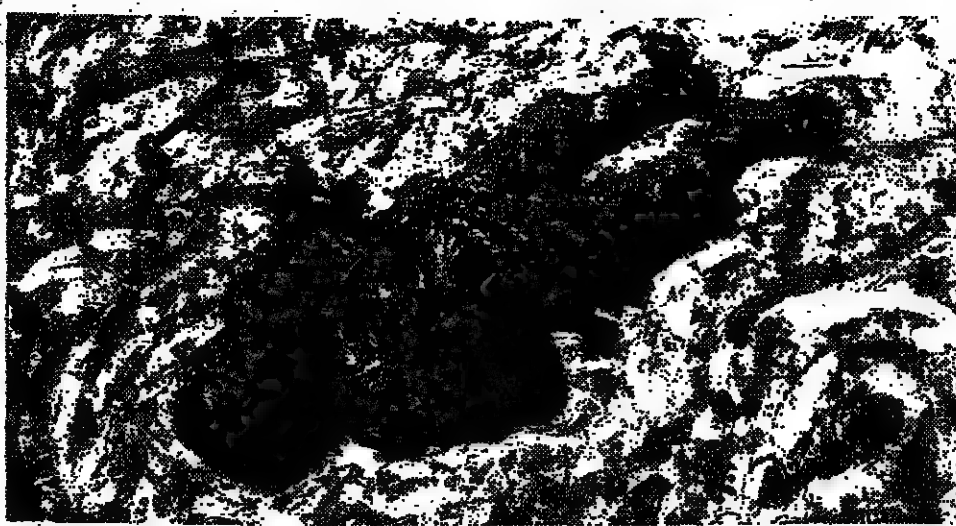
## Gulf War Paintings

John Keane's exhibition does nothing if not show that war sits uneasily with the modern liberal conscience. Where once the concept of the just war might have eased it a little - or at least accommodated some of the complexities and contradictions of the lesser evil - we are today too cynical, or too naive, to do other than respond to the immediate facts of death, destruction and conspicuous waste. That such things should be brought to pass in the name of political advantage can only make them worse.

The actuality of battle has become a commonplace on our television screens, the analysis and reclamation under way before the last shot is fired. It raises awkward questions: would Passchendaele have been fought over as it was, with Kate Adie in the trenches and the high command in the studio to answer for gains and losses as they came in?

And what is the role of the artist in all this: the objective reporter of events, or the no less objective monitor of his or her own subjective experience and response? Or the polemicist, morally committed and politically correct? The short answer is any of these things and still the artist, but a war artist only in the first two respects. The trouble with John Keane, on the evidence of these paintings made from the photographs he took in the month he spent with the British Army in the Gulf, is that he wants to be all three at once.

He may be a very good photographer, but he is not showing his photographs. He was not, as I understand it, commissioned as a war artist in the fashion of the second world



John Keane's 'Oil Painting 1991'; many of his works have a clear polemical intent

war, a supernumerary officer living and moving with the army for the duration. Least of all was he a sometime combatant, as were so many of the artists of the first world war. Keane, by contrast, was sent by the Imperial War Museum and was evidently there on sufferance so far as the Army was concerned, and was kept well behind the lines.

Even so, his experience of army life on active service was clearly authentic, and, in the period before the battle especially, he produced material that is objective enough. The best work is of this kind: a tank under camouflage netting, for example, a soldier digging a trench, two soldiers playing draughts to pass the

time. But the larger portion of the work has clear polemical intent, and this makes us ask whether Keane approached his subject with an open, or at least a curious mind. Once fighting began, Keane could only experience its awful aftermath. Only once is his prejudice subverted, by the panic of a gas alert. The wry portrait of himself struggling ham-fistedly into his protective suit, is the best and most natural image of this phase. It is touching, funny in a desperate way, and it rings true.

For the rest, we have the attitudinising of the cynical liberal mind, convinced the whole wasteful, colossal expensive exercise was merely to protect the oil interests of

the West and of the US in particular, an exercise in neo-colonial economic oppression.

How else can we gloss such titles as *We are making a new world order*, with its sun-bespattered soldier amid the debris of battle and blazing oil fields, or *Mickey Mouse on the Front*, with its supermarket trolley, flaccid palm tree and implicit antagonism to all things American? And there is *the Death Squad*, the body-bag detail with scarves wrapped tight against the stench. Above all, there is the sequence *Scenes on the Road to Hell*, the fleeing convoy caught and destroyed on the Basra Road.

There is nothing about an overt polemic, save only that it must escape its limitations if it

is to stand as art. We may think of Goya's *Disasters of War*, but he kept his ironic distance, well knowing who the enemy was, while making a more general and humane point. Again, we may make superficial comparisons between the desolation of Paul Nash's great canvas of *The Menin Road* and Keane's *New World Order*; yet the one is distanced, impartial and thus universal in its humanity, the other merely local, personal and political.

As it happens, Sargent's once notorious painting, *Gassed*, of a string of victims coming back from the front line, the blind leading the blind, hangs in the neighbouring gallery. It too raises the question of when polemic becomes propaganda, though avoiding the charge by its broader humanity. Also next door, as part of the current Falklands display, is some of the work of Linda Eison, Keane's immediate predecessor in the commission, her brisk and personal reportage, drawn on the spot, a direct contrast to his more predetermined approach.

Keane is an interesting and able artist, though inclined to allow his facility to run away with him. He would rather hurry and produce too much, as here, it seems, than confirm and resolve too little. His greater problem, perhaps, is philosophical: he hardly knows which side he is on.

William Packer

John Keane: Gulf. Imperial War Museum, Lambeth Road SE1, to May 31. Sponsored by The Guardian.

## Rossini on the South Bank

Max Loppert

Rossini the comic opera composer gets at least a measure of his due in Britain: Rossini the creator of a treasure trove of serious operas is still a largely unknown figure here. In particular, the nine that he wrote to honour an eight-year attachment (1815-22) to the San Carlo theatre in Naples represent *terra incognita* for our opera houses. In them, he experimented with combinations of ornate vocal style and formal adventurousness that brought increasingly powerful results.

Just how powerful was revealed during Friday's Queen Elizabeth Hall concert performance (broadcast live on Radio 3) of *Ermione* by the Orchestra of the Age of Enlightenment. Dating from (1819), this formed the midpoint of the Neapolitan series. In Rossini's own day it was unsuccessful, never revised or revived; until a 1977 Siena concert performance it had counted as a lost work. On Friday it burst over a packed Q&H with the force of a thunder-clap; noisy cheering greeted several of the numbers and ovations the finale.

It was, indeed, an extremely exciting performance - played and sung with biting attack and limpid phrasing by the OAE and New Company Chorus, and conducted with dazzling skill and fervent sympathy by Mark Elder. But beyond all the individual pleasures it was the work itself that provided the feeling of revelation: a high-wire mixture, perfectly balanced, of Classical forms and Romantic passions that keeps the drama unfolding at fever pitch.

The raw material was Racine's *Andromaque*, from which the composer's regular collaborator Turtola achieved an economical operatic text. Four principal characters - the captive Trojan Andro-

mache (mezzo), the king Pyrrhus (tenor), his scorned fiancée Hermione (soprano) and her besotted admirer Orestes (tenor) - weave a taut fabric of unrequited passion, fury, despair, intrigue and treachery.

The tone of high drama is set in the overture, into which male choral voices burst with bleak insistence. All the music blazes with controlled fury - Gluckian in directness of declamation, Cherubinian in rhythmic drive, yet purely Rossinian in its musical richness.

Surprising strokes of design, colouring and vocal combination mark every number: it is a longish work that on Friday felt short because of its untamed urgency. The characters each emerge in the round, above all the wildly unstable titanic role (written for Rossini's muse Colbran); she is not a lovable heroine - nor is this exactly a sweetly consoling work - but she leaps into three-dimensional vividness.

That was certainly the impression left by the young Italian soprano Anna Caterina Antonacci, making her British debut. She is an arresting figure even on the concert platform, Magnani-like in darkly handsome profile and in the mercurial change of facial expression. There were occasional rough patches and raw details in her singing, but the overall impression of truthfulness and intensity of the delivery tended to diminish their importance, and in the finale Miss Antonacci's fusion of tone and word unleashed thrill upon thrill.

The two high tenors, the electrifyingly trumpet-toned Bruce Ford (Orestes), and the suavely stylish Keith Lewis (Pyrrhus), were excellently contrasted; in the opera's few tender moments Judith Forst

(Andromache) made skilful use of her less compelling vocal means. All the smaller parts are important, and here all were aptly taken: Jack Laskowski (Pyrrhus), another high tenor, and Peter Sidhom (Phoenix, bass) particularly made their mark. I hope the rumours of a Glyndebourne *Ermione* in the near future are well-founded.

More Rossini at the Festival Hall on Sunday evening: the *Stabat Mater*, given by the Philharmonia and its chorus (both splendid) under Giuseppe Sinopoli. Much more familiar Rossini, of course, but no less welcome; indeed, in the wake of the coursing drama of *Ermione*, few works could be better revived to show off the depth and seriousness of Rossini's final compositional period.

It is a work Sinopoli conducts admirably. He captures both the chaste marble contours and the sweetly ornate vocal details; his avoidance of interpretative self-indulgence is refreshing.

The soloists - Maria Bayo (replacing June Anderson), Cecilia Bartoli, Justin Lavender, Alastair Miles (replacing Simon Estes) - were all musically Rossinian, not ideal in blend. The glorious Miss Bartoli sounded a mite under form; the bright-edged tones of the Spanish soprano gave an interesting lift to the 'Inflammatus'.

As concert-opener Sinopoli proposed a different sort of Italian music entirely: Bruno Maderna's *Quadrivium* (1969), a linked series of glittering modern-music mobiles for large, spatially disposed, percussion-dominated orchestra. It is a composition of wit, brilliance and energy; Sinopoli risked the ire of the large Sunday-night audience in programming it. All praise to him!

## I Musici de Montréal

There are now rather too many bands called *I Musici*, but the Montreal team of that name deserve serious attention. Their conductor, the cellist Yuli Turovsky, is an alumnus of Rudolf Barshai's Moscow Chamber Orchestra who emigrated to Montreal in 1977; and with his violinist wife Eleonora as leader, he has re-created something like the Barshai hand in French Canada. They are an exciting tonic.

It is useful for small, ambitious bands to claim extravagantly that their members are 'all soloists', but Turovsky's players go a long way towards making the claim good. Their second-violin boss no less pith and character than their firsts (granted Mme Turovsky's flamboyant pre-eminence as leader); their violas make a full-throated trio, and so do their celli and bass.

In the programme I heard them deliver in Montreal recently, every player was not only alert but brilliantly assured. It is hard to do justice to the effect of such playing, vividly committed from top to bottom; try to imagine a string band put together exclusively from eager prizewinners, every man-jack determined not to waste a single note.

Britain has some excellent string orchestras, but I doubt if any could easily muster the unhesitating, up-front attack of

these Québec players. It may be to do with native temperament (French-Canadians are volatile where English-Canadians play safe), but probably more to do with the Turovskys' own vivid example. Even in Nielsen's pawky little *Petit Suite* these strings were gutsy and unabashed, though clever, and in Barshai's arrangements of some of Prokofiev's *Visions fugitives* (originally for piano) they achieved a range of unnerving effects without a slip.

Like Barshai's original band they stood up in a semicircle to play, except when accompanying Mendelssohn's *Double Concerto* - for violin and piano, written when he was 14. Though they sounded slightly duller there, the fault was surely Mendelssohn's: the part he allotted to the orchestra suggests that his page could not or would not afford a competent band. Even the movement recapitulation is assigned to the soloists alone, and that sounds less like a bold stroke than a mere ruse for keeping the band prudently silent.

Luckily we had not only Mme Turovsky's unstinting panache (reckless, even; she overshot some high ledger-lines) but the pianist Marc-André Hamelin's stylish bravura, in a part which seems

not much more than second-fiddle accompanying until the finale, when young Mendelssohn indulges his pianistic finger-fervour to the limit. Hamelin made the most of that, always with rippling grace; and in Schoenberg's scathing, anti-Ritterian *Ode to Napoleon* his incisive piano contributions were vital.

There was more to the unusual success of Schoenberg's bitter *Ode*, however, than Hamelin's sterling work. Turovsky chose to play it in the composer's own 1944 version with string orchestra, much less discouragingly gritty than his lean first draft for solo quartet (and piano); and Kevin McMillan declaimed Byron's text with all the right lofty scorn, not a whit diminished by his Canadian diction. For once, a piece that even dedicated Schoenbergians find unappealing struck home with a ring of conviction. From not one honest performance in years past, I remember none that made so convincing a case for the musical integrity of Schoenberg's diatribe.

This is a band worth hearing, and in October St John's ought to flatter their lean, snappy sound.

David Murray

Visiting St John's, Smith Square, London, on 27 October

## Chester Mystery Plays

The Chester Mystery Plays, first mentioned in Chester in 1422, have always sought an international connection. Their supposed originator, 'Done Roodall, monk of Chester Abbey', lobbied at Rome three times 'before he could obtain leave of the Pope to have them in the English tongue'. The knotty vernacular text survives in five manuscripts (1582-1807). That text, abridged and translated into Portuguese, forms the basis of a bilingual performance of the Mystery Cycle in the largest Anglo-Portuguese theatre collaboration to date.

The result is a worthwhile production of great enterprise. Sixteen actors from four companies tour for six weeks in Portugal (Braga, Evora, Porto, Lisbon), finishing at the Mermaid Theatre, London. The production unites actors from the Companhia de Teatro de Braga, the Centro Dramático de Evora and the Selva Trupe de Porto under the aegis of the London Theatre Ensemble.

The Portuguese companies had not worked with English actors before, and neither - such is the structure and culture of these in Portugal - had they worked with each other. The project also attests to the degree of collaboration possible between state and private funding bodies in England and Portugal. The Gulbenkian Foundation,

The Secretaria de Estado da Cultura and the British Government (through British Council and Arts Council grants) each provided 30 per cent of the budget.

The shared religious and cultural experience makes an apt choice for such a joint venture. The Cycle celebrates rather than enacts the biblical narrative. On stage at Evora, the second leg of the tour, the Cycle shows both the scope and limits of bilingual collaboration. One hears alternate lines or speeches in English and Portuguese; the effect at first disorients and then focuses the attention; one recognises parts of the Catholic litany, familiar in Latin or English, but now intelligible in Portuguese.

The two languages, switched and intercut on stage, produce tense effects: Cain and Abel, Abraham and Isaac, Gabriel and Mary at the Annunciation, Christ and Mary Magdalene at the Resurrection; all these pairs successfully play their scenes in Portuguese and English, where only a bilingual speaker would know exactly what is happening.

When language is not fundamental or available, the staged gesture and posi-

tioning need to be more obvious and explicit. Here, the company's preparatory workshops on non-verbal communication have helped stress the dramatic rather than verbal interchange; but perhaps even more can be done. A common language of gesture began to emerge throughout the Cycle at Evora; the cast needs to be fluent in it.

While this five-hour Cycle is a cultural and logistical success for the producer David Westhead, the action on stage could still benefit from more of the energy which put it there. There are moments of achieved potential in a magical Creation, where God looks into the dark under a glowing filament and decides to create light, and in the making of man and woman from clay models; later, stage effects, gesture, movement and tone create a tense Last Supper and Betrayal and a complex debate with Pilate. The Scourging and Crucifixion of Christ are both harrowing; they speak and show the language of violence and grief. As the production matures, it should become more muscular and robust.

Mark Dornford-May's direction

eschews music and special effects, bringing the action down to exchanges between individuals. He avoids the temptation of the anarchic approach in keeping with the street setting of the original Mystery plays, and so keeps confusion at bay. But a formulaic approach would have made some scenes (the Temptation, the raising of Lazarus) more accessible.

The design (by Claudia Mayer) is simple and uncluttered: a bare stage with a grey backdrop and a huge sun; it absorbs quick changes and entrances, a door becomes a tomb, a table an ark or a sepulchre. While the lighting remains clear and plain, the costumes provide the colour and variety as each actor appears in several roles.

The 1807 Chester text introduces the plays with a note that when Sir Henry Francis of Chester Abbey (another supposed author), staged the plays, he 'obtained of Pope Clement a thousand dials of pardon for every person that resorted peaceably to see the same plays.' Wherever he may be now, Sir Henry should be confident about this latest production.

Andrew St George

London Mermaid Theatre, (071) 410 0000, from 22 April to 2 May



Claudia Mayer's uncluttered design lends a distinctive tone to the largest Anglo-Portuguese theatre collaboration to date

## INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

## AMSTERDAM

Concertgebouw 19.30 This Kramer conducts the National Philharmonic Orchestra and Utrecht Cathedral Choir in Bach's St Matthew Passion. Repeated tomorrow by Ton Koopman and the Amsterdam Baroque Orchestra (6718 345)

## ATHENS

Concert Hall 20.30 Arina Claudine Myers Jazz Quartet. Tomorrow: Barbara Dennerlein. Thurs and Fri: La Camera. Sun: piano recital by Grigori Sokolov (722 5511)

## BERLIN

Deutsche Oper 19.30 Lucia Aliberti sings the title role in a concert performance of Bellini's *Beatrice di Tenda*, also Sat. Tomorrow: Die Zauberköche (West Berlin 3410 249)

## COLOGNE

This week's programme at the

Philharmonie includes concerts tomorrow and Thurs by the Chicago Symphony Orchestra conducted by Daniel Barenboim (2801). The Opernhaus has *Entführung* tomorrow, Pelliéas et Mélisande on Fri and Der Rosenkranz on Sat and Mon (221 8400). The Schauspielhaus has plays by Strindberg, Maxim Gorki, Jean Genet and Edward Albee (221 8400)

## GENEVA

Grand Théâtre 20.00 Bruno Bartoletti conducts Lorenzo Mariani's new production of Wolf-Ferrari's *I Quattro Rusteghi*. Runs till April 22, with next performances on Thurs and Sat (212311). Tomorrow in Victoria Hall: Andrew Litton conducts Tchaikovsky's Fifth Symphony (292511). Théâtre de Carouge 20.15 Love Letters, play by A R Gurney directed by Lars Schmidt. Daily till next Mon (434343)

## GENOA

Teatro Carlo Felice 20.30 Rafael Frühbeck de Burgos conducts first night of Luis Maria Iturr's production of Carmen, with Martha Senn, Giorgio Merighi and Giorgio Zancanaro. Runs till May 3, with next performance next Tues. Thurs: Nieves Oney Ballet Company (589329)

## HAMBURG

Opera/Dance Tonight's performance in the Staatsoper is a John Neumeier

choreography, Fenster zu Mozart, also Thurs. Tomorrow: Gerd Albrecht conducts Günter Krämer's new production of Das Rheingold, also Sun. Fri and next Mon: John Neumeier's choreography of the St Matthew Passion. Sat: Carmen with Lucia Valentini-Terrani (351721).

## THEATRE

The repertoire at the Deutsches Schauspielhaus includes Lessing's 18th century tragedy Emilia Galotti tonight and Fri, Arthur Miller's Death of a Salesman tomorrow and Thurs, the Cherry Orchard on Sat and J P Donissey's Ginger Man on Sun and Mon (248713)

## LONDON

Covent Garden 20.00 Edward Downes conducts first night of David Freeman's production of Prokofiev's The Fiery Angel, designed by David Roger. The cast includes Galina Gorchakova, Sergei Leiferkus, Paata Burchuladze and Robert Tear. Runs till May 2 (071-240 1066). Coliseum 18.15 Mark Elder conducts David Pountney's production of Don Carlos, with Edmund Barham and Rosalind Plowright, also Sat. Tomorrow: Madama Butterfly. Thurs: Il barbiere di Siviglia (071-636 3161). Royal Festival Hall 19.30 Mariss Jansons conducts the Philharmonia Orchestra in works by Haydn, Sibelius and Bartók, with Julian Rachlin violin soloist. Tomorrow and Thurs: Zubin Mehta conducts the LPO (071-928 8800). Queen Elizabeth Hall 19.45

Achterland: dance theatre performed by the Rosas Dance Company, choreography by Anne Teresa de Keersmaeker, also tomorrow (071-928 8800). Barbican 19.45 Carlos Kalmar conducts the Stuttgart Philharmonic Orchestra in works by Brahms and Beethoven, with Andreas Bach piano soloist. Tomorrow: English Chamber Orchestra (071-638 8891)

## NEW YORK

Carnegie Hall 20.00 Simon Rattle conducts the City of Birmingham Symphony Orchestra in Nielsen's Third Symphony and Ravel's Daphnis et Chloé. Two more CBSO programmes tomorrow and Thurs (247 7800). Avery Fisher Hall 19.30 Klaus Tennstedt conducts Bruckner's Eighth Symphony. Thurs, Fri and next Tues: Tennstedt conducts Brahms (875 5303). Metropolitan Opera 20.00 James Levine conducts Elektra, with Hildegard Behrens. Tomorrow: Billy Budd (362 6000)

## PARIS

Dance Palais Garnier 19.30 Pierre Lacotte's production of La Sylphide. Repeated tomorrow, Thurs, Fri and Sat (4017 3535). Palais des Congrès 20.30 Final performance of Ukraine National Ballet season (4068 0006)

## MUSIC

Opéra Bastille 19.30 Un ballo in maschera, with Luciano Pavarotti, Aprile Millo and Alexandru Agache. An alternative

cast takes over from Thurs. Tomorrow: first night of Roman Polanski's production of Le Contes d'Hoffmann (4001 1616). Théâtre des Champs-Élysées 20.30 Philippe Herreweghe conducts Bach's St Matthew Passion. Thurs: Heinz Wallberg conducts the Orchestre National de France (4720 3637). Châtelet 20.30 Daniel Barenboim conducts the Chicago Symphony Orchestra in works by Richard Strauss (4028 2840). Auditorium, Forum des Halles 19.00 William Christie conducts Les Arts Florissants in works by Marc-Antoine Charpentier. Tomorrow: piano recital by Tatiana Nikolaeva. Thurs: song recital by Andreas Schmidt (4028 2840). Salle Gaveau 20.30 Kammerensemble de Paris plays Beethoven's Septet, Martinu's Nonette and Britten's Antares for voice and string quartet (4561 0830).

## PRAGUE

Opera Prague State Opera (formerly Smetana Theatre): tonight's performance of two Zemlinsky one act operas is conducted by Hilary Griffiths. Thurs: Tosca with Mara Zampieri and Nell Shicoff. Fri and Sat: Martinu's Greek Passion. Sun: Il trovatore. Mon: La traviata.

National Theatre: Bohumil Gregor conducts tonight's performance of Katya Kabanova, also Sat afternoon. Thurs: La bohème. Sat evening: Rusalka. Sun: Giselle.

## CONCERTS

Smetana Hall: on Thurs and Fri, Pavel Kuhn conducts the Prague Symphony Orchestra in Dvořák's Stabat Mater, with soloists including Magdalena Hajosyova. Sun: Musica Bohemica (u Prasne brany 2, tel 232 5858).

For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Příkopě 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

## WASHINGTON

Kennedy Center This week's National Symphony Orchestra concerts are conducted by Zdenek Macal. Tonight: Tchaikovsky's First Piano Concerto (soloist José Feghali) and Dvořák's Seventh Symphony. Thurs, Fri afternoon, Sat: Wagner and Strauss programme. Fri evening: Simon Rattle conducts the City of Birmingham Symphony Orchestra. Sun afternoon: Bach's B minor Mass (467 4600).

## JAZZ/BLUES

Blues Alley Jazz Supperclub This week's guest is pianist Ramsey Lewis (1073 Wisconsin Ave, in the alley, 337 4141). Barnes of Wolf Trap Tonight: Masters of Folk Violin, virtuoso fiddlers from four traditions. Fri: Accordion Kings, featuring Santiago Jimenez of San Antonio and Creole zydeco music played by Boozoo Chavis and the Magic Band from Lake Charles (703-938 2404).

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## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Tuesday April 14 1992

## Mr Heseltine at industry

SECRETARY OF STATE for trade and industry may not have been the crown Mr Michael Heseltine most fondly dreamed of wearing during his years in the political wilderness, but it is one for which he is singularly well prepared.

Following his resignation from the Thatcher government in 1986 over the Westland affair, Mr Heseltine set out in explicit terms his preferred job description. It is an interventionist view which will be welcomed in many British boardrooms, not least for its primary assertion that government must worry hard about the health of manufacturing industry. Much less clear is the extent to which Mr Heseltine will seek or be allowed to implement a personal manifesto to which contrasts so sharply with the official version published one month ago.

The party manifesto, bearing the mark of his free market predecessor, has almost nothing to say about manufacturing, beyond a commitment to further deregulation and tax cutting. It also proposes that the DTI take over the powers of the energy department. Mr Heseltine's credo is that since all governments, in one way or another, make decisions that have a large effect on business, it is best to shape those policies into an industrial strategy.

### Industrial impact

He has advocated "a new partnership" between government and industry, in which government thinks more carefully about the industrial impact of all its decisions, including procurement, taxation, overseas representation, science, education and employment law. Without French interventionism, he says, Europe would have no commercial aircraft industry. It is difficult to imagine Mr Heseltine privatising part of the export credit guarantee department or the British Technology Group - both acts of the last Thatcher/Major government.

He is also in favour of a revived National Economic Development Council, a creation of Harold Macmillan which, he argues, has "never fulfilled its potential". He has proposed that the industry secretary rather than the chancellor should chair this tripartite body and that its membership include the financial institutions which own most British industry.

## Bridging the final Gatt gap

MANY MIGHT have concluded by now that all Gatt deadlines - including the latest one, for Easter, set by the Gatt's director-general, Mr Arthur Dunkel - are equally meaningless. Not so. One deadline is crucial: the end of the American president's ability to use his Congressional "fast-track" authority at the beginning of March 1993. With no provision for its renewal, that is when the more than five year old Uruguay round of multilateral trade negotiations will turn into a pumpkin.

That deadline does not leave as much time as might be thought. Even after agreement on agriculture is finally reached, it will take at least two months to reach consensus on other outstanding issues. Some improvements will be required in the texts presented by Mr Arthur Dunkel last December. Chief among the outstanding issues will be market access, including services and public procurement, as well as the lowering of tariffs. For the world economy, these agreements will be of enormous importance, probably more important than agriculture.

That does not make agriculture less pivotal. It is too important to too many countries for a global deal to be possible without it. But such a deal depends first on agreement between the US and the European Community. It has been tantalisingly close since the end of last year.

Another chance is created by the regular meeting between Mr George Bush and Mr Jacques Delors, the European Commission president, on April 22. With Mr Helmut Kohl pressing for a Gatt deal to be reached before the summit of the group of seven industrial countries in Munich this summer, with the re-election of Mr John Major and the elevation in France of the economically hard-headed Mr Pierre Bérégovoy, Mr Delors has the opportunity to strike the deal.

### Distorting effect

The obstacles should not be insuperable. Agreement is close, for example, on the idea that the EC's payments to farmers in compensation for the lower prices proposed by Mr Ray MacSharry, the farm commissioner, should not have to be reduced for six years, even though they are seen as hav-

ing a distorting effect on trade and production. Similarly, the EC's demand for "rebalancing" - raising the low tariffs on imports of cereal substitutes already bound within the Gatt - seems to have faded away.

Difficulties remain, however, over the EC's idea of quantitative limits on imports from the US of certain cereal substitutes - corn gluten especially. Equally problematic is the EC demand for a commitment by the US that EC subsidies would not be challenged under US law.

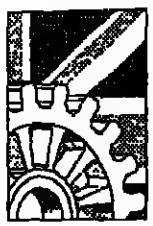
US opposition

More fundamental is the adamant US opposition to the EC's desire to change parts of the text put forward by Mr Dunkel last December. It too would like to make changes, but rightly fears that once one bit of the text is challenged, the entire document could unravel.

The most worrying feature of current discussion - apart, that is, from the continued failure to reach agreement - is the tendency to think in terms of quantitative limits, be it on subsidised exports or on cheap imports. Such limits may seem expedient, but they contradict fundamentally the thrust of liberalisation. It would be better to focus on reductions in assistance, letting quantities go where they will.

Behind the inability to reach agreement seems to be a belief by the EC that the Dunkel text contradicts Mr MacSharry's proposed reductions in internal support. But once consequent reductions in output are taken into account, the MacSharry plan would probably meet the requirements of the text. At most, it would need only simple modifications.

For over a year it has been true that once reform of the common agricultural policy can be broached, there is no reason in principle why a Gatt agreement should not be reached. Such an agreement is overwhelmingly in the economic and political interests of all parties, including the EC. Europe needs to solve the farm policy problem. Mr Delors knows that well. He should take the opportunity now before him to turn that knowledge into action, so meeting the final deadline of the Uruguay round.



The reinvigoration of British industry has been pushed towards the top of the political agenda by the Conservatives' general election victory. Mr Michael Heseltine's appointment as secretary of an enlarged Trade and Industry Department heralds a more interventionist stance by a traditionally free-market government and a rejection of the DTI's recent minimalist role.

Nowhere will this shift be felt more keenly than in the engineering sector, which is finding recovery hard after 20 years of decline compounded by 18 months of recession. So protracted has been the weakening of the industry and so severe the damage to its competitiveness that government help may be needed to foster a revival.

The appointment of Mr Heseltine, who is committed to focusing the "averted gaze" of government back on to industry, has met with a welcome response. "We believe this will invigorate the DTI and help it find a strategy for industry," said a senior executive at one engineering group yesterday.

But the broad economic background does not look encouraging: engineering output has fallen from 11.8 per cent of the UK's gross domestic product in 1970 to about 8 per cent, and most engineering sectors grew at a lower rate than GDP from 1979-1988. Two recessions have reduced employment in engineering from 3.3m in 1979 to below 1.9m, and jobs are still being shed.

The UK balance of trade in the main engineering sectors plummeted from a £4.32bn surplus in 1980 to a £5.34bn deficit in 1990. It recovered last year to a small surplus of £240m, according to an estimate by the Engineering Employers' Federation, as the recession choked off demand for imports.

On a brighter note, UK engineering workers improved their productivity - average annual growth of real output per person - by 5.1 per cent from 1979-1988, a better performance than their Italian, French and German counterparts, but still lagging behind improvements in Japan and the US.

So what is the future for Britain's engineering companies? A Financial Times survey over the next 12 months will try to answer that question by tracking regularly the performance of six different engineering companies.

The companies were asked how they have responded to the current recession and what lessons they have applied from the previous 1980-81 downturn; what is the short-term outlook for their UK business; and what might be the long-term effects of the recession on their ability to compete in domestic and international markets.

The initial conclusions are decidedly mixed: five of the companies do not expect a real recovery in their UK markets until next year, either because they see no signs of life in the domestic or because the evidence of recovery is too slight.

However, a better-managed industry has learnt lessons from the recession of the early 1980s and responded more quickly to a downturn of unprecedented severity. "No corner has been left unexamined," says Mr Gilbert Johnston, chief executive of JCB.

The recession has forced companies to examine businesses and investments with a more critical eye. "Like a rough sea, it shows where all the leaks are," says Mr Colin Gaskell, managing

# Machines in need of maintenance

Andrew Baxter explores the response of UK engineering companies to recession

director of 600 Group.

However, the longer the recession persists, the greater the risk that business will stabilise permanently at its current low levels as the customer base is eroded. None of the six companies in the survey believes that has happened - yet.

In contrast, all six paint a rosy picture of long-term growth. But, given the record of the UK's engineering decline, their confidence raises the question of whether they will be able to manage their way through the recession without sacrificing long-term prospects.

The responses from the six companies suggest that the evidence is broadly positive:

● Extent and severity of the recession.

Operating in a variety of markets, the six went into recession at differing times and speeds. Weakening demand in the UK truck market hit the component business of Bloxwich Engineering as early as 1988 while Fenner marks the start of the UK recession at November 1990.

At Senior's engineering products division, the UK market has been flat for 10 months, says Mr John Bell, divisional chief executive, while other companies "hit bottom" only last autumn.

A number of companies were surprised by the sudden onset of the recession, and had to grapple with a market decline that has been steeper, and lasted longer, than in 1980-1981. JCB's production volume has fallen by 40 per cent over two years from the heady levels of 1987 to early 1988. In the three years from 1980-1982, the decline was only 23 per cent, says Mr Johnston.

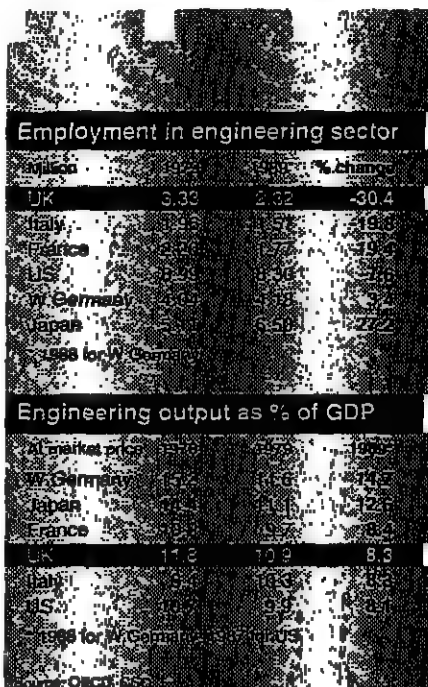
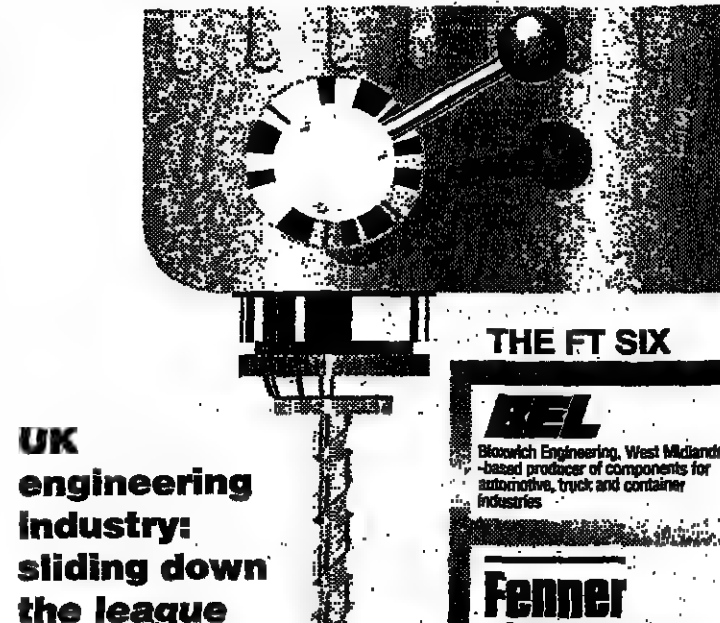
● Cost-cutting responses. All the companies have taken action in this area. UK workforces have been cut by an average 20-25 per cent, and every aspect of cost has been examined. But cutting jobs without causing serious long-term damage has been a concern for many companies.

At Fenner, the UK headcount has been reduced by 30 per cent over the current recession. Mr Peter Barker, chairman, points out that "there has been a steeper rate of decline than in the previous recession, and not so much to cut at".

But Fenner and others believe they have made such cuts without impairing their long-term research and development efforts.

Other cuts have been made "behind-the-scenes" in a way that does not affect long-term customer relationships. The 600 Group no longer makes its Colchester lathes in the Essex town and has switched production to its Harrison lathe plant in west Yorkshire, with the loss of 280 jobs. But the marketing network has remained unchanged.

● Strategic responses. The larger companies are trying to expand their sales overseas, especially in continental Europe, either because of relatively better market conditions - such as in JCB's case



or to change the long-term balance between UK and international earnings so as to diversify income sources and reduce dependence on the UK economy.

Senior's recent \$40m acquisition of Flexonics, the largest US manufacturer of metallic flexible hose assemblies, exemplifies this trend. Although cyclical, the US market is less of a roller-coaster than the UK.

Others have responded by taking advantage of non-recurring opportunities. At Fenner, production of some low-value added power transmission components has moved to Hong Kong - a response as much to a long-term shift in terms of trade as to the recession.

Among the smaller companies, Posiva has learnt from its reliance



on supplying the textile industry during the previous recession. This time it has moved quickly to supply parts to crane manufacturers and other industrial sectors, says Mr Reg Brinknell, chief executive.

● Capital spending. Here the picture is mixed. Posiva has benefited from the capital spending of its German parent company, while JCB, says Mr Johnston, has slowed its capital expenditure because of heavy investment in 1988 and 1989 which gave it a manufacturing capacity of 30,000 units a year, compared with current production levels of 10,000 units.

But all six companies agree that the investment "tap cannot be turned off in a recession. In engineering, if you do not invest to keep

up to date, all you are going to do is go under in the next century," says Mr Peter Barker, chief executive of Bloxwich Engineering. His company has invested in training and new machinery aimed at providing more quality in its vehicle components.

● Implications for long-term competitiveness. There is little doubt that if the six had not developed responses to the recession, the implications for their long-term competitiveness would have been severe. That is due as much to the length as to the depth of the downturn.

Collectively, the six serve virtually every sector of UK industry, and have seen customers collapse, or struggle, under the weight of the recession. Mr Barker hopes the erosion of the UK customer base will be nothing like the 20 per cent reduction seen in 1980-81.

To protect against such an eventuality, Fenner, along with the other companies, is redoubling efforts to internationalise. The recession, says Mr Johnston at JCB, has strengthened the company's determination to expand in Europe.

Particularly in the rapidly expanding German market. At Senior, Mr Bell says that "the longer the UK recession goes on, you have to start wondering whether something more structural is happening. I don't believe it has thus far. It has not changed our perception of what things will return to."

But just as some customers have disappeared, so some of the companies' UK rivals have collapsed or been weakened. And, at least in JCB's sector of construction equipment, foreign rivals have become a character of entering a UK market described as "perfectly ghastly" last year by one independent analyst.

In contrast, the smallest company of the six, Posiva, is virtually restricted to selling in the UK and Ireland. But it recovered more quickly than larger competitors from a poor year in 1990.

In response to a sharp fall in demand, Mr Brinknell cut the workforce from 24 to 18. Now, however, he is taking on two more salespeople "to get more of a smaller cake". Small engineering companies, it seems, can survive the vagaries of the UK market with a responsive management.

Although some of the cuts may have been painful, the results may come through eventually in higher profits - an important factor for the sector's long-term competitiveness. Mr Gaskell at 600 Group says recessions do not have to be as deep as the present one to force companies to examine their cost base, but his company will be £7m-£8m more profitable when business recovers because it has cut costs and strengthened management. Similar benefits are expected across the companies surveyed.

The only trouble is that the upturn has not arrived yet. And only when it does will it be possible to judge whether the companies have done enough, or cut too much, to exploit it. Subsequent articles in the series will establish when that recovery arrives, and whether the companies' long-term confidence is well-founded or just bluster.

For now there is a glimmer of light. JCB said last week it is taking on 87 more employees in preparation for an expected increase in orders. Like its counterparts across the engineering sector, it will be hoping the light will not again be extinguished by recession.

This is the first article in a series on the six engineering companies.

### PERSONAL VIEW

## Tipping the CAP to Gatt

By Timothy Josling and Stefan Tangermann



A big reason for the European Community's resistance to proposals by Mr Arthur Dunkel, the Gatt's director-general, for a compromise on agriculture in the Uruguay Round of multilateral trade negotiations is fear that they might force unacceptable changes in the CAP - in particular that they might require cuts in support both to agriculture and to exports of farm products.

The Community is currently discussing internal reform of its agricultural policies on the basis of the plan proposed by its farm commissioner, Mr Ray MacSharry. There are concerns, however, that even these sweeping changes might not be enough to meet the requirements of Mr Dunkel's draft.

Whether such fears are justified depends on the precise implications of the Gatt proposals. We have estimated the development of EC prices and markets under the MacSharry Plan, comparing it with the Dunkel proposal. The result of our estimates, based on data used for the schedules the EC submitted to the Gatt in March, is that the MacSharry Plan would easily allow the Community to meet the constraints proposed by Mr Dunkel.

For example, EC wheat production would be reduced as a result of the price cuts and the acreage set-asides included in the MacSharry package. At the same time, lower prices would increase EC wheat use, in particular for feed. This would lead to wheat exports well below the volume of subsidised exports allowed under the Dunkel proposal. Equally, export subsidy expenditure would remain safely below that allowed under the prospective Gatt agreement.

It may be more surprising that the total level of domestic support, as measured by the so-called Aggregate Measure of Support (AMS), would also remain comfortably within the Dunkel constraint, even if Mr MacSharry's compensation payments to farmers were included.

This result is explained by the reduction in EC production under Mr MacSharry's proposal. That reduction would lower aggregate assistance by more than just the cut in prices. The compensation payments would cover only the effects of price reduction. In addition, the EC has reduced its cereals prices significantly since the base period for defining the Gatt constraints (1986-88). Tariffication would also not be any threat, since the tariff allowed under the Dunkel proposal would be more than sufficient to protect the EC wheat price that results from the MacSharry Plan.

It is difficult, therefore, to understand why the EC thinks it should not accept the agricultural agreement proposed by Mr Dunkel. Even with a somewhat watered down version of the MacSharry Plan for CAP reform, it would still have enough room for manoeuvre. Indeed, the Community should work constructively towards a Gatt agreement that would be in line with its own attempts to rationalise the CAP. The question of whether MacSharry's compensation payments are included as allowable subsidies - the so-called "green box" - is far less important than now appears in the negotiations.

At the same time, certain amendments could be made to the Dunkel proposal. Since the constraint on domestic support will not bind a reformed CAP, the EC could even take the initiative by proposing a cut in aggregate support larger than the 20 per cent proposed by Mr Dunkel. As US agricultural policies

make heavy use of domestic subsidies, a larger cut in domestic support would impose a more binding constraint on the US and so reduce the EC's temptation to argue that US deficiency payments on exported produce should be treated like export subsidies.

In addition, to leave a little time for the changes in agricultural policy instruments that are required if they are to be more neutral in their effects on production - and hence eligible for the green box - the latter might be defined somewhat more generously for the first few years. Thereafter, requirements for inclusion in the green box might be tightened.

Too tight a constraint on the volume of subsidised exports during the period of adjustment would also be dangerous, since it would push governments towards domestic supply control, this being a move away from, rather than towards, a more market-oriented agriculture.

Both the MacSharry Plan and the Dunkel proposal can stand on their own merits. The MacSharry Plan would correct some of the deficiencies of the CAP. Meanwhile, the Dunkel proposal would begin the needed process of integrating world agricultural trade into the global trading system.

The combination of the MacSharry Plan with the Dunkel proposal would represent mutually reinforcing policies. The MacSharry Plan allows the Community to accept a successful conclusion of the Gatt round. The EC should welcome the chance now offered, rather than fear the constraints it appears to impose.

Tim Josling is a professor at the Food Research Institute, Stanford University. Stefan Tangermann is a professor at the Institute of Agricultural Economics, University of Göttingen.

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Joe Rogaly

# Kinnock leaves an empty legacy to successor

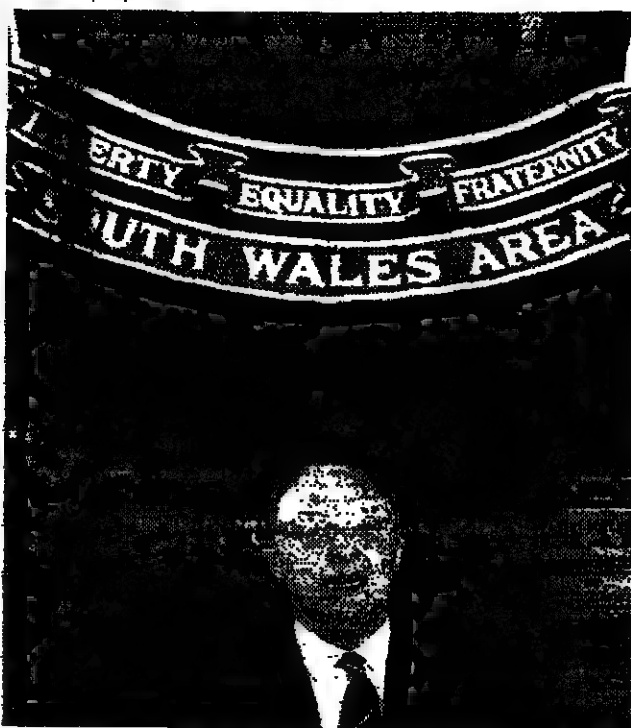


The Opposition is shut down for repairs. These may take some time. I hope they do. A heavy patch-up following the devastating defeat of Labour last Thursday is unlikely to save the people's party from permanent electoral frustration and eventual extinction. A quick fix with the Liberal Democrats, who also did less well than expected, would have all the chances of success of two drowning parties clinging together.

We must wait awhile. Politicians of a left-wing persuasion must be given time to think. The trouncing received at the hands of the Conservatives under Mr John Major has not yet begun to sink in. Labour could not manage to attract more than 35 per cent of the vote in mid-recession after a campaign universally hailed as smoothly professional. If not then, when? The Lib Dems could not hold their optimism support when it became apparent that to plump for them would be to let Labour in. That was true in 1987 and 1992; who is to say that it will not hold good in 1996 or 1997?

Certainly not Mr Neil Kinnock. The outgoing Labour leader, who announced his resignation yesterday, deserves full credit for reconstructing the party, but it is to be said that the legacy he leaves his successor is an empty one. This may be harsh, but it is the truth. He achieved a great deal, but in terms of winning the next election, it is as if it were nothing. A little reminder of recent history will show what I mean. When Mr Kinnock took over in October 1983, Labour was in ruins, shattered by the leadership of Mr Michael Foot and the consequential defection of many of its middle-class supporters to the Social Democrats. Its vote in that year's election was less than 28 per cent; last week it was seven percentage points higher.

That is the most accurate measure of Mr Kinnock's bequest to his successor. There are other, perhaps more valuable heirlooms. Labour is no longer in favour of unilateral nuclear disarmament, withdrawal from the European Community, or the wholesale nationalisation of industry. During the past three years, it has devoted itself to becoming less frightening to middle-of-the-road voters. It has tried to emulate the continental social democrats it so admires. It has begun, ever so gingerly, to detach itself from



Kinnock: deserves full credit for reconstructing the party

the lethal embrace of the trade unions. Mr Kinnock worked hard on this successful transformation of a ragged and inchoate movement into a structured political machine. He demanded discipline of his followers and set a personal example of self-control. Yesterday's outburst against the Tory tabloids may have been imprudent, but you have only to recall their combined ferocity to understand his position. It would, however, be fatal for Labour to convince itself that it was defeated by the Daily Mail, the Daily Express and the Sun. It might have been less badly beaten without them, but the fears upon which these papers played - of higher mortgages, higher taxes and a prolonged recession - were genuinely felt by many voters. The arguments had to have some semblance of rationality to succeed.

It would also be a mistake to assume that another four or five years of Kinnock-style modifications of party policy will be rewarded by victory next time. This is the trap inherent in the apparently unstoppable movement to elect Mr John Smith as successor. I have frequently expressed admiration for Mr Smith's political personality. He has handled the task of shadowing the chancellor with immense skill. What is being questioned,

not least by those who would prefer a different leader, is his tactical judgment.

This requires some explanation. A few weeks ago, I thought that his proto-budget, taxing higher earners and spreading the benefits, might have neutralised the political effect of the real Budget presented by Mr Norman Lamont. Now, with hindsight, it must be acknowledged that Labour fell into a trap. Once Mr Lamont had introduced his 30 per cent band for low earners, Messrs Kinnock and Smith felt obliged to find tax cuts of their own, however small. They

**It is probable that unless Labour makes a break with its own history it has no future**

would be higher taxes for all under Labour. It gave the black tabloids a basis of fact upon which to build their propaganda.

Mr Smith would nevertheless be the leader best able to steady the opposition's nerve after last week's shock. Some Labour folk fear a further mortgage of support over the next few months, taking the party down to where Mr Kinnock found it. Mr Smith might be able to stop that by his mere presence. There is, however, a catch. Under present plans, the leadership election will take place before the end of June, using existing party

rules. That means 40 per cent of the vote is in the hands of trade unions. This is the wrong way to elect a party leader for the 1990s. It would hamstring Mr Smith from the start.

Worse, such a quick election could perpetuate the myth that the maintenance of party unity is of paramount importance. That would perpetuate unity all right - the unity of the political graveyard. For Labour is still hypnotised by its history. It continues to believe that it is a great party, with a noble destiny. Not so. Last week's 35 per cent popular vote strongly suggests that unless it makes a break with its own history it has no future.

In short, the new Labour leader must risk disunity if he is to save the party. For everything must be questioned, and much must be changed. The divorce from the unions must be absolute. Reducing the block vote at annual conferences from 87 per cent to 70 per cent or even 50 per cent is no good. The current figure is 90 per cent. Some of the deepest beliefs of the Labour movement must be re-examined. Mr Roy Hattersley has stuck doggedly to his belief that equality is of greater importance than anything else; he is now to retire without further hope of office. The proper level of taxation, the role of regulation in the market, the nature of the state - all need to be rethought, with the mental focus shifted away from the past century and towards the likely needs of the next.

It may be that the conclusion is that so much would have to be altered that there would be no purpose in continuing with the Labour party. That is the Liberal Democrats' dream; they are as vultures perched. But they too live in a fantasy world. The debate within the non-Conservative parties should be accompanied by debate between them.

Mr Kinnock's successor must reach out - to the Lib Dems and beyond - for ideas, shared principles, alliances, partners, supporters. Mr Tony Blair could do that, perhaps after a spell of apprenticeship under Mr Smith, or possibly as his deputy. Do not mistake me. Mr Smith would have been an excellent leader this year. The question remains - does he appreciate the scale of change now needed? Mr Kinnock never quite kept ahead of changing opinions. The policies that failed on Thursday might have succeeded in 1987. The danger for the opposition is that the next election will be fought by Labour, in fruitless half-hearted partnership with the Lib Dems, on policies that might have won last week.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Analysing Germany's problems

From Mr Bryan Cassidy MEP

Sir, You quite rightly drew attention in your editorial on 10 April ("A deepening German crisis") to the difficulties the German government has in responding quickly and effectively to rapidly changing economic circumstances - to the disadvantage of Germany's partners in the EC. This slow response is an inevitable result of the coalition government which has meant that, in a number of respects, Germany has failed to deal with long standing issues. For example, with little privatisation in the former West Germany, the German tax payer continues to pour huge sums of money into hopelessly inefficient coal mines (to enable them to provide unfair competition with efficient British mines).

Your editorial analysis of Germany's paralysed political system failed to identify one of the reasons for it - Chancellor Kohl's having to depend upon the support of the Free Democrats in coalition. I know that your newspaper has a strong predilection for proportional representation, but doesn't your own editorial on April 10 undermine the case for it? Bryan Cassidy, European Parliament, Constituency HQ, Blandford, Dorset DT11 7BU

### Short-term view is a threat to Britain's energy R&D

From Prof Ian Fells

Sir, The Central Electricity Generating Board took its responsibilities for pursuing generic R&D in energy supply seriously, if a little heavily-handedly. Its successors, as Clive Cookson points out (Technology: "A shock to the system", April 9), have abandoned this responsibility, no doubt with, as always, the shareholders in mind. The power manufacturing industry is equally bad; the result of short-termism as an "energy strategy".

We are in serious danger of becoming an offshore energy "banana republic", buying licences from European colleagues who have the good sense to take a long-term view rather than rely on market-led, short-termism as an "energy strategy".

So who is to be responsible for long-term R&D in future; the regulator? He has more

than enough on his plate. The Department of Energy might have done, but that, according to the Conservatives' manifesto, is to disappear into the maw of Department of Trade and Industry.

professor of energy conversion, Department of Chemical and Process Engineering, University of Newcastle upon Tyne, NE1 7RU

### Terms for rescheduling

From Mr Michael Ruddy

Sir, Is there not a risk that Barclays and the other creditors of Olympia & York and Heron may allow a close professional relationship to sweeten the terms of the debt reschedulings, leading to a further squeeze on the banks' other customers, both borrow-

ers and lenders? Since presumably there is no automatic right to reschedule, it will be in the long-term interests of those customers if the banks demand, in addition, some participation in the equity or assets of those companies, even to the point of foreclosure, which in itself could leave a salutary lesson for the next property boom.

Michael Ruddy, Villa La Tour, 06670 Levens, France

### Time to ban opinion polls during elections

From Dr D W Phillips

Sir, From merely anecdotal evidence (no stratified sampling, I'm afraid), I tend to conclude that I am not alone in wishing that opinion polls should be banned during electioneering. It is not only that they turn what should be a tug-of-war into something more like the Boat Race, with all the misleading consequences that entails. They are also a colossal bore.

Your contributor Joe Rogaly's articles over the past few weeks have devoted more space to analysing and commenting on the polls than they have to the parties, policies and personalities concerned. That, at any rate, is the impression they make on one constant reader (myself).

If Mr Rogaly is still writing for you at the next general election, and if the polls have not been banned, I hope that he will ignore them, and write about what the poli-bummed politicians frequently referred to last night as "the real world".

D W Phillips, 1 Post Office Cottages, Shotterden, Comberbury, Kent CT4 6JR

## More qualified view of EC social security entitlements

From Dr Philippe Watson

Sir, I found your article "Innocents Abroad" (April 8) most informative. However, some statements made therein might be misinterpreted and should be clarified.

First, the co-ordination of social security systems was achieved in 1968. Consequently it is misleading to state that "some progress" was made on the co-ordination of social security systems in the early 1970s.

It is equally misleading to state, without qualification, that "A British worker claiming unemployment benefit in France is entitled to the same treatment as a Frenchman".

To qualify for French unemployment benefit, such a worker would have to be insured under French law immediately prior to becoming unemployed. In addition, he would have to fulfil all the conditions for entitlement to this benefit under French law.

An unemployed British worker who wishes to go to France to seek employment has no right to French unemployment benefit but could have his UK benefit exported to him there for a period of three months.

With respect to pensions, there is no obligation imposed upon the country of origin of the migrant worker to pay a

proportionate amount of his pension. Still less does community law create a system of "winners and losers". The system is designed to ensure that beneficiaries receive those benefits which they and their employers have paid for. A pensioner gets, from each of the member states in which he has been insured, a pension the amount of which is calculated in accordance with the number of contributions he has paid under the law of that state.

Your article might be interpreted as meaning that the pension entitlement of a migrant worker is that of the country in which he retires

regardless of where he has worked.

Finally, while the portability of occupational welfare schemes is a problem, it is not correct to state that "efforts to harmonise such schemes were scuppered last year by the EC".

It is not the intention of the Community to harmonise either social security or occupational welfare schemes. Its ambitions are confined to achieving the portability of benefits, a matter which does not require harmonisation.

Philippe Watson, Four Raymond Buildings, 28 rue de Toulousse, 1040 Brussels Belgium

## OBSERVER

### Hanson quits the turf

It is not just Britain's horsey set which looks on the first Wednesday in June as one of the most important dates in the year. Derby Day is marked in red on a lot of proletarian calendars too.

So there is bound to be widespread unease at the news that those well known turf accountants, Lords Hanson and White, are selling the Ever Ready battery company - proud sponsors of the Derby for the last six years.

Is nothing sacred? Although Hanson has always insisted that sponsoring the Derby helped the group by revitalising its battery business's brand name, everyone knows that horse-racing is Lord White's favourite hobby. Last year's arrival on the Hanson board of champion jockey Chris Collins added weight to suspicion that the Derby was the one hobby horse that Hanson's hard-headed accountants were happy to feed. Yet Hanson is now selling Ever Ready to the world's biggest pet-food company...

Hanson insists the deal has no strings attached to it that will permit the group's long-loved directors to hang on to their Derby Day privileges. But buyer Ralston Purina says it has promised to honour Ever Ready's commitment to sponsor the event until 1994.

Be that as it may, the future of the Hanson Coronation cup race in Derby week looks cloudy after this year. Moreover, there is little chance of Lord White hosting another Ever Ready Derby lunch, and still less of Epsom's new stand being named after him.

Perhaps it's all for the best. Hanson has not been having much luck with sport. Not only has its investment in race-

PR disaster, but its Tommy Armour golf club subsidiary stopped sponsoring Fred Couples less than four months before his weekend Masters tournament win.

### Heads you win

The outcome of the general election may not have done much for the reputation of the professional pollsters, but one of them, the high-profile Robert Worcester of Mori, can at least look forward to a consolation prize. He says he stands to win several hundred pounds on private bets - including a bottle of champers from BP's Bob Horton - that the Tories would win a 22-seat majority. Maybe he should stick to his hunches next time...

### Sound sleepers

A hotelier in St Andrews is offering cut-price accommodation - but only to those who voted Conservative in last week's UK election. David Malloch, proprietor of the Lathams Manor Hotel, says that two nights' dinner, bed and breakfast in a twin or double room would normally cost £28 per person.

But he is offering it at £53 if you can name the Tory candidate in your constituency and swear at check-in that you voted Tory. He says he doesn't expect widespread abuse, though "anyone who appears very unconvincing may have to explain the benefits of Tory policies".

### Modest tradition

In their own view, Japan's "yakuza" gangsters have always been an important part of the country's system. Without their administrative



guidance, they claim, not only would crime be disorganised, but popular pastimes such as stock-price manipulation would lack coherence.

Quite a different view is understandably taken by the police, whose growing frustration has led to the passing of laws designed to dismantle the yakuza's complex and ritual-laden organisations. Even so, the system has been flexible enough to provide for public hearings where several gang bosses have defended their "rights of assembly" and "freedom of expression".

According to one of them, what they lead is not gangs but "chivalrous groups" upholding Japanese traditions against modern materialism and evil. A second boss, whose minders wore the characteristic hairstyle known as the punch perm, said his organisation was a "law-abiding institution", which regretted that its methods and members had been "misunderstood".

The hearings were intended to give the gangs a right of reply before the inevitable police crackdown. The police know the gangsters and the gangsters know the police, so

there's no rush to arrest the yakuza, who are now banned from such lucrative activities as "debt collection" and "brokering civil disputes".

A further boss promised to "accept the new law with modesty" - though whether that meant actually abiding by it, he didn't explain. Meanwhile another prominent gang member has offered Washington a choice of either defending the rights of yakuza, or having the boycott the Cadillac and other US gas-guzzlers so much in vogue as an imported symbol of Japanese gangster tradition.

### Forked tongue

A letter in yesterday's Guardian alleging the supporters of John Smith had plotted to manoeuvre him into the Labour leadership if Neil Kinnock lost the election has set the cat among the pigeons. The letter was from Colin Byrne, the former Labour party press officer who left Walworth Road after a spat with John Underwood, Peter Mandelson's successor as campaign supremo.

What makes the allegations more pertinent to the leadership campaign is that Byrne is still - as the phrase goes - close to the Kinnock camp. He lives with Kinnock's press secretary Julie Hall; they are soon to be married. Can we assume, therefore, that the bile in Byrne's comments on Smith's shortcomings is shared by Kinnock himself?

After all, wasn't it Smith's plan for facing Essex men that lost Kinnock their votes?

### Re-financing

"I asked my ex-wife if she'd marry me again, but she turned me down. She said I was only after her for my money."

## There are Things in the World that Can Only Be Seen in Seville.

"SEVILLE", wrote Byron "is a pleasant city famous for oranges and women". In the year

of Expo '92, that's something of an understatement. But for all its nineteenth century

chauvinism, the spirit of the observation is

about right. Seville, greatest city of the

Spanish south, the city of Carmen, Don Juan

and Figaro, is essentially famous for its own

living self. A deserved reputation for gaiety

is expressed annually on a grand scale during

the April Fiestas. And this year, the festivities coincide with the event of the

century **CONFEAST** 1100 years since the birth of Islam in Spain. The event will be celebrated for 110 days, from April 2nd to May 11th, with a programme of 110 events, over 30,000 people.

shows are planned including a unique contribution from the Sevillian School of

Equestrian Art. The party will be a big one even by Seville's standards, and lasts until

October 12th, 500 years to the day since Columbus discovered America. In a city

where even the horses jump for joy, the enjoyment promises to be infectious. And as

the saying goes, "Those who have not seen Seville have missed a marvel".

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**INSIDE**

**La Générale profits fall to Bfr7.6bn**  
Société Générale de Belgique, Belgium's largest holding company, yesterday announced a 38 per cent fall in net profits for 1991 to Bfr7.6bn (\$223m) from Bfr12.2bn. The group said there were signs of growth in 1992, and plans to maintain its dividend at Bfr84 per share as a sign of confidence. Page 22

**Goodyear sees good quarter**  
Goodyear Tire & Rubber, the US tyre-maker, yesterday said it expected to post record first-quarter sales and put forward an accelerated timetable to reduce its debt. Page 22

**Powell Duffryn sells unit**  
Powell Duffryn, the distribution, storage and engineering group, is pulling out of the shipping industry with the sale of a 50 per cent stake in Stephenson Clarke, one of the most famous names in British shipping. The sale values the Stephenson Clarke fleet at £19m (\$33.4m). Page 26

**Tough times at the abattoir**  
The UK abattoir industry is dying on its feet. Caught between the high costs of complying with EC regulations and competitive pressures from domestic wholesalers, up to half of Britain's slaughterhouses are likely to go out of business in the next two years. This trend is already having an impact on the country's livestock producers. Page 26

**Late assault by Koreans**  
Korean companies are launching a late assault on the competitive German construction equipment market. Samsung Heavy Industries and Hyundai Construction Equipment are actively negotiating with German entrepreneurs to set up dealer networks in Germany, which accounts for about 37 per cent of the European construction equipment market. Page 23

**BHP buys NZ Steel**  
New Zealand Steel, established in the 1960s to give the country independence from British and Australian suppliers, has been sold to one of its greatest rivals, Australia's BHP. Page 22

**Italian models of efficiency**  
Weighed down by debt and compromised by political considerations, Italy's state-run industrial companies seldom stand out as models of efficiency. One possible exception to this rule is Italgas, the public-sector gas distribution group. Haig Simonian reports. Page 20

**Market Statistics**

|                        |    |                        |       |
|------------------------|----|------------------------|-------|
| Base lending rates     | 38 | London share index     | 28-30 |
| Benchmark Govt bonds   | 24 | London traded options  | 24    |
| FT-A indices           | 29 | London traded futures  | 24    |
| FT-A world indices     | 29 | Managed fund services  | 30-35 |
| FT/SMIA int bond       | 24 | Money markets          | 26    |
| FT guide to currencies | 23 | World commodity prices | 28    |
| Financial futures      | 36 | World stock market     | 37    |
| Foreign exchange       | 23 | UK dividends announced | 27    |
| London recent issues   | 24 |                        |       |

**Companies in this issue**

|                         |       |                    |    |
|-------------------------|-------|--------------------|----|
| Aetna Life              | 18    | Hyundai            | 8  |
| Altech Holdings         | 26    | Industrie          | 19 |
| Alvax                   | 23    | JP Morgan          | 10 |
| Alcan Aluminium         | 22    | La Générale        | 22 |
| Affiliated London Props | 27    | Maxwell Comm. Corp | 27 |
| Amstar                  | 26    | Morgan Crucible    | 26 |
| BAA                     | 9     | Mowlem             | 25 |
| BT Group                | 27    | Muddy Fox          | 25 |
| BT                      | 7     | New Zealand Steel  | 22 |
| Bentley                 | 21    | ONEX Corporation   | 25 |
| Brown & Jackson         | 14    | Olympia & York     | 22 |
| Cobra Estates           | 27    | Petrolite          | 21 |
| Cathay Pacific          | 1     | Powell Duffryn     | 27 |
| Chintung                | 23    | Primerica          | 27 |
| Coles Myer              | 33    | Quebecor           | 27 |
| DEC                     | 26    | Ralston Purina     | 21 |
| Dinkley Hill            | 26    | Robinson (Thomas)  | 21 |
| Ever Ready              | 19    | Rolls-Royce        | 1  |
| First Capital           | 21    | Roskel             | 28 |
| Ford                    | 18    | Rover              | 31 |
| France Telecom          | 27    | Safeway            | 27 |
| Freight Group           | 27    | Sasib              | 27 |
| GWR                     | 27    | Scania             | 22 |
| Goodyear                | 22    | Taken Bank         | 22 |
| Gutabank                | 22    | Trygg-Hansa SPP    | 22 |
| GrandMet                | 25    | UK brewers         | 26 |
| Guernseygas Group       | 22    | USX                | 27 |
| Halma                   | 1, 19 | Vivat Holdings     | 21 |
| Hanson                  | 26    | Wachovia           | 21 |
| Hemmings Properties     | 21    | Willis Carroon     | 26 |
| Hilton Hotels           | 21    |                    |    |

**Chief price changes yesterday**

| FRANKFURT (DM) |                | RISSE        |            |
|----------------|----------------|--------------|------------|
| Aachen         | 999 + 9        | Industrie    | 1045 + 42  |
| Basel          | 235 + 4.8      | Metall       | 7230 + 250 |
| Bochum         | 200 + 8.8      | Chemie       | 785 + 18   |
| Bohl           | 780 + 10       | Lege         | 405 + 11   |
| Bohl           | 541.5 + 11.5   | Papier       | 1594 + 50  |
| Bohl           | 369 + 5.3      | SKC          | 572 + 18   |
| NEW YORK (\$)  |                | TOKYO (Yen)  |            |
| Alcoa          | 67 1/2 + 1 1/2 | Alumina      | 890 + 30   |
| Alcoa          | 70 3/4 + 2 1/2 | Alumina      | 540 + 20   |
| Alcoa          | 21 1/2 + 1/2   | Alumina      | 365 + 42   |
| Alcoa          | 17 1/2 + 1/2   | Alumina      | 345 + 40   |
| Alcoa          | 54 1/2 + 1/2   | Alumina      | 345 + 40   |
| LONDON (Pence) |                | MILAN (Lira) |            |
| Alcoa          | 168 + 7        | Alumina      | 148 + 12   |
| Alcoa          | 58 + 1 1/2     | Alumina      | 443 + 28   |
| Alcoa          | 34 + 8         | Alumina      | 35 + 5     |
| Alcoa          | 24 + 4         | Alumina      | 131 + 7    |
| Alcoa          | 32 + 2 1/2     | Alumina      | 146 + 14   |
| Alcoa          | 12 1/2 + 1/2   | Alumina      | 315 + 12   |
| Alcoa          | 48 + 2         | Alumina      | 31 + 3     |
| Alcoa          | 82 + 12        | Alumina      | 18 + 3     |
| Alcoa          | 29 + 3         | Alumina      | 32 + 7     |
| Alcoa          | 108 + 18       | Alumina      | 23 + 3     |
| Alcoa          | 272 + 18       | Alumina      |            |

# Banks cautious on O&Y debt plan



Paul Reichmann: proposals may protect family interests

Robert Peston and Bernard Simon in Toronto on concern over the group's proposals and a potential conflict among creditors

BANKERS meeting in Toronto yesterday said they were unhappy about key elements of Olympia & York Development's plans to reschedule payments on \$500m of the property group's US debt.

In separate developments, bankers warned there could be a damaging conflict between two groups of lenders to O&Y's Canary Wharf office development in London's docklands.

O&Y last night named former Chrysler vice-chairman Mr Gerald Greenwald to take over from former US banker Mr Tom Johnson as the company's president. He was also named as deputy chief executive.

O&Y confirmed yesterday that it has severed ties with Mr Johnson, who held the president's job for just two weeks. The new president would take some of the management load off Mr Paul Reichmann's shoulders.

Bankers representing some of the 100 institutions attending yesterday's meeting said they were concerned that O&Y's proposal may be slanted towards protecting the interests of the Canadian Reichmann family, which founded and owns O&Y.

They cited O&Y's plan to redeem all C\$800m (US\$572m) of commercial paper, or short-term securities, issued by the group. "The commercial paper holders should rank behind the banks", said a banker. "They are being paid off yet we are being asked to defer repayments on what we are owed and we are being asked to put up new money."

O&Y is expected to finalise a sale-and-leaseback deal this week on the Exchange Tower in Toronto, enabling it to repay holders of one commercial paper programme secured by the building. Bankers questioned whether the Reichmanns had yielded to demands from commercial paper holders too easily, for fear that they might have to declare insolvency under Canadian law.

In a related development, a potentially damaging conflict has emerged between two groups of lenders to the Canary Wharf project. O&Y's ambitious \$2bn (\$500m) office development in London's docklands. It emerged over the weekend that four leading Canadian banks, including the Canadian Imperial Bank of Commerce, Royal Bank of Canada and Bank of Nova Scotia, have secretly lent \$450m for the Canary Wharf project. They took as security shares in Canary Wharf companies.

Bankers said that means these banks rank behind a separate "club" of 10 banks which lent \$500m for Canary Wharf at the end of 1990. This loan is secured on O&Y's assets rather than on shares.

At the heart of the conflict is O&Y's need to raise a further \$250m to complete Canary Wharf over the next two years. Bankers

# Aetna may sell American Re unit

By Nikki Tait in New York

AETNA Life & Casualty, the largest shareholder-owned insurance company in the US, said yesterday it was negotiating with Kohlberg, Kravis Roberts, the leveraged buy-out specialists, over the sale of its American Reinsurance subsidiary.

Aetna said "progress was being made" in the talks, but added there was no guarantee of a deal. It stressed that, apart from board approval, the transaction was conditional on KKR's ability to find funding, and necessary approvals from the state-based insurance regulators.

American Re, based in Princeton, New Jersey, reinsures commercial property and liability risks in domestic and international markets.

Its premiums in 1991 were \$979m, up from \$871m in the previous year, although earnings have been flat for several years, totalling \$133m in 1991.

In Aetna's annual report, the reinsurance company warned that pricing conditions in the property-casualty markets could mean continued pressure on earnings this year.

Aetna did not specify the price, thought to be about \$1.4bn, being discussed with KKR.

Aetna's possible sale of the business underlines the extent to which the large US multi-line insurers are restructuring through retrenchment and asset sales, as they try to bolster capital and improve profitability.

Aetna, which saw net profits fall from \$614m to \$505m last year, has been troubled by souring property-related investments. Along with big competitors like Travelers and Cigna, it has pulled out of some unprofitable lines and sold some "non-core" subsidiaries, including a 43 per cent stake in La Estrella de Seguros, the Spanish insurance business, last year.

KKR - known for its \$25bn bid for RJR Nabisco - has shown interest in financial services for some time. It gained a foothold in banking when it joined Fleet/Nordstar to buy the failed Bank of New England in a \$670m deal last year.

With the decline in leveraged buyouts generally, the company has been stressing more conservatively financed deals recently, and it seems likely that any acquisition of American Re would have a relatively high equity element.

Aetna shares yesterday rose 8% to \$44.

# Maggie Urry examines the 'Hansonisation' of the Ever Ready group

## Takeover put spark into battery maker

It would be simple to characterise Hanson's sale of the UK part of Ever Ready as yet another example of the conglomerate's habit of buying and selling businesses.

Certainly Hanson is now selling for \$32m (\$27m) a slice of a business bought for \$95m in 1981. It sold the European subsidiaries for \$27m in 1982, and is keeping the South African operation, which makes slightly higher profits than the UK business.

The anti-Hanson camp could use the disposal to argue that Hanson is a chameleon and not a developer of businesses. If Hanson was really a long-term investor, they might say, it could have taken the Ever Ready business to the next stage of development.

Ever Ready has often been held up as one of the successes of the "Hansonisation" process. Under Hanson's control it has invested, launched new products and increased profits. But the crunch has come 10 years after its acquisition: Mr Martin Taylor, vice-chairman of Hanson, agrees that Hanson must now sell Ever Ready UK if its full potential is to be realised. Ralston Purina, the buyer, is the world's largest battery maker and, the argument goes, Ever Ready UK will be better off joining it.

The question remains - does the Hanson method work in the long term? When Hanson acquired Ever Ready just before Christmas 1981, the company was in trouble. Its old management had changed the name to Berec, throwing away a well-known brand. It had failed to move into the alkaline battery sector of the market, the fastest-growing area. And its management was burdened with layers of people contributing nothing.

Mr Bob Nevitt, managing director of Ever Ready UK, was national sales manager at the time of the takeover. He joined the business in 1982 and was promoted to his present job by Hanson. He was delighted when Hanson arrived, he says.

"There were umpteen layers of management between us and the decision makers. We were being taken apart by Duracell (the leading alkaline battery maker) at

**UK retail battery market**

| Volume share (1991) |     |
|---------------------|-----|
| Ever Ready          | 36% |
| Duracell            | 27% |
| Varta               | 9%  |
| Other               | 4%  |
| Own label           | 12% |
| Others              | 12% |

Source: Ever Ready

| Battery market by type |        |       |
|------------------------|--------|-------|
|                        | Volume | Value |
| Alkaline               | 47%    | 58%   |
| Zinc Carbon            | 51%    | 34%   |
| Rechargeable           | 2%     | 8%    |

Source: Ever Ready



has the Eveready name in the US. The two were divided in 1914 when the original company, the American Electrical Novelty and Manufacturing Company, floated the UK business and sold the US side to National Carbon, which later became Union Carbide.

The logic of putting the two

the time and had no response."

The change since Hanson took over has been revolutionary. For example, Mr Nevitt says that he, the sales director, the marketing director and the finance director share a secretary. "She is an incredibly busy lady," he admits.

More seriously, he says that when Hanson moved in it discovered a "commercial department" of 40 people. When asked what the department did, there was no real reply and it was abolished. Head office numbers were slashed from 650 to 75 and the office was relocated.

The company's research and development facility employed 250 people. But, says Mr Nevitt, "they were generating nothing for us and costing a huge amount of money". Hanson selected the 55 or 60 people it wanted to keep and moved them from north London to be near the main manufacturing plant in the north-east of England. An advanced products facility near Oxford was sold, while the German research and development establishment, which was working on alkaline batteries, went when the European businesses were sold - ironically to Duracell.

Hanson's well-known financial rigour did not stop it investing in the company, Mr Nevitt says. Hanson was "prepared to listen to sensible propositions requiring millions of pounds," Mr Nevitt says. The first thing Hanson did

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# J P Morgan ahead 10% despite \$50m trading loss

By Patrick Harverson in New York

J P MORGAN, the New York-based banking group, yesterday reported a 10 per cent increase in first-quarter earnings to \$299m, thanks to strong growth in net interest income and buoyant corporate finance revenues, which helped offset a \$50m trading loss on mortgage-backed securities (MBS).

The loss in the MBS market, incurred because of a surge in home-mortgage refinancings and a small but unexpected increase in mortgage interest rates, contributed to a 63 per cent decline in securities trading revenues to \$165m. The trading loss led to the resignation last month of the company's senior MBS trader.

Total earnings from trading were also hit by less favourable conditions in global interest rate and currency markets, although revenues from trading equities and commodities, including those related to Latin America, rose during the quarter.

The MBS setback and generally weaker trading figures failed to prevent Morgan from reporting the second best quarter in its history because earnings of the group's other activities improved.

Lower short-term domestic interest rates and a steepening in the dollar yield curve lifted net interest revenue 30 per cent to \$414m. Morgan also earned \$10m from interest on Brazilian medium- and long-term non-accrual loans.

Corporate finance contributed \$97m during the quarter in the wake of higher corporate debt and equity underwriting volume, especially in Latin America.

The company's operational service businesses, including items such as corporate trust activities and ADR (American Depositary Receipts) services - delivered \$98m, investment management fees brought in \$85m, while gains from net investment securities added another \$100m. Credit-related fees rose 26 per cent to \$48m, due primarily to increased volume and higher returns from securities lending.

Expenses during the quarter were \$622m, the same as a year ago. However, the first quarter of 1991 included a special charge of \$52m linked to leased office space in London. If this one-off cost is removed from the calculations, Morgan's operating expenses rose 9 per cent in the January-March period. Provision for credit losses in the quarter was unchanged at \$10m.



## INTERNATIONAL COMPANIES AND FINANCE

## Allied-Lyons, Whitbread shares fall on warning

By Philip Rawstorne

Shares in Allied-Lyons and Whitbread, the UK brewers, retreated yesterday after a warning from Sir Gordon Borrie, director general of fair trading, that he may take action against brewers' long-term beer supply agreements with pub retailers.

Sir Gordon said he was concerned that such agreements were emerging as an alternative to the brewers' tied (exclusively supplied) pub estates now being reduced by the government beer orders.

"There are powers available to me both in the Fair Trading Act and in the Competition Act which I will most certainly consider using if I believe that the long-term supply agreement is being used to frustrate the loosening of the tie," he said.

Sir Gordon's remarks seem to be aimed at Allied-Lyons in

particular. He has already told the brewer that 734 pubs it has leased to Brent Walker, the leisure group, will not count towards the 2,380 pubs it must release from tied beer supplies unless it alters the terms of its seven-year supply contract.

Allied, which has also leased 142 pubs to Burtonwood, the north-west brewer, has indicated it is prepared to contest the issue in the courts.

Allied's shares closed 12p off at 633p yesterday. Shares in Whitbread, which last week announced it was leasing 68 pubs to Shepherd Neame, the Kent brewer, in the first of an expected series of short-term deals with pub operators, closed 6p lower at 435p.

Sir Gordon said that the creation last year of Intreprenur Estates (IEL), the Courage/Grand Metropolitan pub retailing venture, should not be seen as a precedent in the brewing industry.

Courage's supply agreement with IEL would end in 1995 and the brewer would have to compete for the business afterwards. The deal would also result in 1,000 more pubs being freed from ties than would have been the case if Courage and GrandMet had retained their own estates.

Sir Gordon suggested that the effect of measures to stimulate competition in the brewing industry could not be assessed before they had run their course. "But that is not to say that, in the meantime, the competition authorities should sit on their hands," he said.

Turbulence that had resulted from government action and the response of the brewers was damaging to some interest groups, Sir Gordon acknowledged. However, consumers would gain from increased pressure on brewers and pub owners to provide a better mix of price, quality, and amenity.

## A model of efficiency in Italy's public sector

Haig Simonian examines the success of Italgas, the state-run gas distribution group

Italy's state-run industrial companies seldom stand out as models of efficiency. Their balance sheets are weighed down by debt and their general performance compromised by political considerations.

Among the exceptions is Italgas, the public-sector gas distribution group, which will soon report a 25 per cent leap in 1991 sales to L3,358bn (\$2,721bn) and a 16.5 per cent increase in gross operating earnings to L618bn.

Along with the improvement in earnings, the group's net indebtedness is likely to have dropped to around 38 per cent of turnover from 36 per cent in 1990.

Only a small majority of its shares are actually held by the state. Snam, the gas distribution subsidiary of the Eni state holding group, owns 45 per cent, while another Eni subsidiary has almost 7 per cent.

The influence of the market may be one of the reasons why Italgas has performed so much better than many of its public-sector counterparts. Good management and government policy encouraging the use of natural gas have helped. Net profits in 1990 stood at L73.7bn.

Italgas's roots go back to the 19th century, when Italy's big cities were gradually turning to gas for their lighting and heating needs. But real growth only began after the 1940s, when significant domestic natural gas supplies were found.

The importance of natural gas for energy-dependent Italy surged after the first oil price shock of the early 1970s. That

virtually coincided with the building of new pipelines bringing gas from Holland and the Soviet Union.

"Suddenly, greatly increased supplies became available and demand grew very fast," says Mr Carlo Da Molo, Italgas's chairman.

The third boom came almost 10 years later, when a third pipeline gave the Italians direct access to gas from Algeria. "For the first time, we had gas coming from the south as well as the north," he says.

Distributing natural gas to customers in the south provided Italgas with a new motor for growth. "Previously, almost all our activities had been in the north."

The arrival of the new southern supplies coincided with two other decisive events. Government policies introduced after the 1973 oil price shock to stimulate the substitution of natural gas for oil were refined.

Since 1973, the share of oil in the nation's total energy consumption has fallen by 15 per cent, matched by an identical rise in that of natural gas. A further boost came in 1989, when a referendum halted the country's nuclear power programme.

From 280 towns and villages in 1979, Italgas now serves 1,400 communities. Its customers have more than doubled to almost 4.4m, while sales of natural gas have swollen from under 2bn cu m to over 6.4bn today.

The bulk of the growth has come through building new distribution networks in big



Carlo Da Molo, chairman of Italgas, says the group's sales growth in mid-1990s central and southern cities such as Rome and Naples. Italgas now supplies five of Italy's seven biggest cities.

However, Italgas has held back from gobbling up the smaller gas companies which form part of Italy's patchwork of gas distribution. The business is highly fragmented. While Eni's AGIP and Snam subsidiaries look after exploration and wholesale supplies respectively, local and urban sales are divided between Italgas, municipally owned companies and a myriad of private distributors.

Italgas has around a third of the market, against 45 per cent for the municipal companies and 21 per cent for the private sector groups. Although it has bought some smaller suppliers, its growth has been largely organic, explains Mr Da Molo.

"What has happened is that

the overall share of natural gas has grown," he says.

The decision to avoid takeovers has been based on both economic and political considerations. Acquisition prices for small private suppliers have risen steadily in line with the growing importance of natural gas. Moreover, potential acquisition targets only tend to become available after family disputes or the death of a founder. Meanwhile, the big municipally-owned companies have not been for sale.

He believes Italgas has benefited from not becoming a monopoly. "The plurality of suppliers has furthered the expansion of natural gas," he said. In Italy's complex political scene, it is better to have a policy of "guided alliances" than a monopoly, he reckons.

The impetus for gas usage has also been helped by the fact that the small, privately owned distributors often have considerable local political clout. That has helped to bring about pro-gas policies from the government, which have been passed with relatively little political fuss.

Italgas has not ruled out takeovers, however. It has bought a handful of smaller competitors, notably along the Riviera. However, Mr Da Molo believes demand will continue to grow strongly enough to avoid the need for a change of strategy.

He admits that sales will start to slow from the mid-1990s as the country's natural gas network is largely completed and the most important

towns and villages are connected. "There will always be some growth, but it will be much slower," he says.

However, consumption should expand through more intensive marketing in towns where natural gas is not yet widely used. Growth in Turin, where around 75 per cent of potential consumers are already connected thanks to the early arrival of natural gas in the 1970s, will be limited. But there is still considerable potential in Rome and Naples, where only about 50 per cent of consumers are so far using natural gas.

Sales should also rise through gaining new markets. The completion of a natural gas pipeline along the Riviera could pull in business from the big horticultural trade in the region. In addition, increasingly strict clean air legislation will force consumers to switch from oil to natural gas in Italy's historic city centres.

Italgas is also diversifying to guarantee its future growth. It has identified water distribution and waste management as logical additions to the existing gas business. The company can use its established contacts with local authorities and play on its expertise in gas distribution, which, like water, involves underground pipeline and 24-hour service.

Italgas's Acqua Potabili drinking water subsidiary already has 7.5m customers. "The water business will start taking up the slack as the demand for gas slows," says Mr Da Molo. "We have a great future in the next century."

## RELOCATION

The FT proposes to publish this survey on April 30 1992.

The Financial Times is the UK's leading daily newspaper for property decision makers. To reach your potential customers call

Ruth Pincombe  
Tel: 061 834 9381  
Fax: 061 832 9248  
or alternatively write to her at:  
Alexandra Buildings  
Queen Street  
Manchester M2 5LF

Data source: BMRC Property Decision Makers 1990

FT SURVEYS

## Morgan Crucible boosted by acquisitions

By Richard Gourley in London

MORGAN Crucible, the specialised UK industrial materials manufacturer, has reported a 3 per cent rise in profits, helped by acquisitions and a lower interest charge.

Mr Bruce Farmer, chief executive, yesterday said that the group's decision to diversify out of the UK in the early 1980s was bearing fruit.

Pre-tax profits in the 53 weeks to January 1992 rose

from £59.5m (\$104.7m) to £61m on sales up 8 per cent at £237.8m.

Earnings per share fell 16 per cent, from 23.5p to 19.5p, after adjusting for last April's 196m rights issue. The company is to give a 6.88p final dividend, giving a total of 12.6p, up 5 per cent on the year. Mr Farmer said Morgan Crucible would not be tapping shareholders for further funds until 1994 at the earliest unless something extraordinary happened.

While Morgan is increasingly seen as a company well positioned to take advantage of the emerging economic recovery in its biggest market, the US, the market has not forgotten the £175m the company raised from two rights issues in quick succession.

One benefit of the rights issue last year was that the interest charge fell £2.7m to £10.5m, helping to turn a fall in operating profit into an increase at the pre-tax level.

Following the rights issue, gearing fell at the year-end to 28 per cent, down from 66 per cent. Morgan said it was no hurry to spend the rest of the rights proceeds although it was currently looking at potential acquisitions.

While recession in the UK showed no sign of lifting, Mr Farmer said Morgan's US, Australian and Asian markets, which account for 66 per cent of sales, were growing. Comment, Page 25

## Ciba-Geigy sales up 17%

CIBA-GEIGY, the Swiss drugs and chemicals company, lifted first-quarter sales by 17 per cent to Sfr5.89bn (\$3.92bn) compared with the year-earlier term. Reuter reports from Zurich. All but one of its operating units posted double-digit sales growth.

Last year, the company posted 1991 group net profit of Sfr1.28bn, up 24 per cent from 1990, on group sales of Sfr21.08bn, a 7 per cent rise.

**Who helped Northern Europe's largest manufacturer of parking meters to achieve a successful buy-out?**

Management buy-out of INCENTIVE DEVELOPMENT from INCENTIVE AB to Metric Group. Total value £31 million. Led, structured, negotiated and arranged by CHARTERHOUSE DEVELOPMENT CAPITAL LIMITED.

Metric Group - previously Incentive Development - is a leading specialist manufacturer of parking meters, ticketing equipment, access control systems and instrumentation. It has operations in Scandinavia, Germany, Italy, the United Kingdom and the United States.

When the management sought to achieve a buy-out from their Swedish parent, Incentive AB, they turned to Charterhouse Development Capital to lead the £31 million transaction.

For more information, please contact Nigel Hamway or Roger Pilgrim on 071-248 4000.

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**CHEMICAL NEW YORK CORPORATION**  
US\$250,000,000 FLOATING RATE NOTES DUE OCTOBER 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 10 April 1992 to 10 July 1992 the Notes carry an interest rate of 5 1/8% per annum. The interest payable on the relevant interest payment date, 23 July 1992, against coupon no. 27 will be US\$989,54 per US\$1,000,000 note.

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## INTERNATIONAL COMPANIES AND FINANCE

## Three bids received for First Capital

By Nikki Tait in New York

THREE BIDS for First Capital Life Insurance Company, the ailing San Diego-based life insurer, had been received by last week's deadline.

The company was seized by the Californian regulators in May after its parent company went into bankruptcy and a run by policyholders had developed.

The separate proposals came from Transamerica Life Occidental Insurance Company, Pacific Mutual Life Insurance Company, and from Leucadia National Corporation, the New York-based conglomerate, in conjunction with First Capital's creditors' committee.

The three proposals pose alternatives to a rehabilitation scheme, entailing a \$50m capital injection, put forward by Shearson Lehman Brothers, the investment banking subsidiary of American Express.

Shearson was closely involved with First Capital, holding a 28 per cent stake in the parent company, First Capital Holdings, and selling First Capital policies to its own clients. The bidders have until April 17 to revise offers.

## Syndicate buys Brazilian rubber group interest

By Bill Hinchberger in Sao Paulo

PETROFLEX, Brazil's state-owned producer of synthetic rubber, was sold for \$22m, 21 per cent above the minimum bid, in a privatisation auction in Rio de Janeiro.

A consortium called PIC, which included Unipar, a Rio-based petrochemical holding company and Grupo Suzano, a leading industrial holding group acquired a controlling interest.

Eighty per cent of the shares in the company were auctioned. The remaining 20 per cent will be split equally between offerings to Petroflex employees and a public sale.

## Strong gaming results lift Hilton Hotels to \$22.2m

By Nikki Tait in New York

A TENTATIVE upturn in the fortunes of the beleaguered US hotel and lodging industry was evident yesterday when Hilton Hotels, the California-based chain, announced after-tax profits of \$22.2m in the three months to end-March.

This compared with the \$12.3m in the same period a year earlier and was scored on total revenues of \$275.3m - a 4 per cent improvement over the January-March period in 1991.

Hilton acknowledged that part of the progress had come from strong results at its Las Vegas-based gaming

operations. Operating profits on the gaming side advanced from \$33.7m a year earlier to \$40.5m.

The company said the Flamingo Hilton-Reno had realised its first profit for the first quarter, and that a smaller win percentage at the Las Vegas Hilton had been more than offset by a lower head-debt expense and reduced operating expenses.

The group is expanding into riverboat gambling in New Orleans, and has talked of a \$20m gaming centre in Chicago, although this project faces uncertainties.

On the hotels side, Hilton

reported operating profits of \$13.2m. This is a considerable improvement on the \$8.5m figure for the previous year, but results in 1991 were badly hit by the Gulf war, which depressed travel generally.

However, hotel occupancy rates averaged 63 per cent, compared with 59 per cent a year ago.

Commenting on the results, Mr Barron Hilton, chairman, said the group was encouraged by improvements in certain markets such as Hawaii and New Orleans, but the continuing recession and an oversupply of hotel space were still hampering progress.

## Safeway posts \$4.9m loss in first quarter

By Nikki Tait in New York

SAFEGWAY, the California-based supermarket group which was subject to a \$4.2m leveraged buy-out in 1986, yesterday reported an after-tax loss of \$4.9m in the first quarter of 1992.

The result underlines the increasingly tough competition being faced by US food retailers.

Safeway's after-tax figure compares with a \$36.7m profit in the same period a year earlier.

Sales during the first quarter shrank slightly, from \$3.4bn a year ago to \$3.3bn, and operating profits were down from \$122.8m to \$102.4m.

Interest expenses fell from \$66.5m to \$70.5m, leaving a profit before extraordinary items of \$22.9m, compared with \$26.7m in the same period a year earlier. Safeway then incurred a \$27.8m extraordinary item related to the early repayment of debt, creating the after-tax deficit.

The company said same-store sales had been slightly higher in the US, but declined 1.2 per cent overall.

It blamed low level of food price inflation and heightened competition in certain markets for the lack of progress. Safeway shares slipped 1/4 to \$14 1/4 in early trading.

## Wachovia improves 26% to \$106.1m

WACHOVIA, the south-eastern regional US banking group, reported first-quarter net income yesterday of \$106.1m, up 26 per cent from the \$84.1m earned a year ago, writes Patrick Harwood in New York.

The improvement resulted largely from higher net interest income and other service revenues, coupled with tighter controls on operating expenses.

The company said total non-performing assets at the end of the first quarter amounted to \$306m, up from \$271m a year ago.

## Quebecor Printing raises C\$220m with 14m share sale

By Robert Gibbons in Montreal

QUEBECOR Printing, North America's second-biggest commercial printer, has raised C\$220.5m (\$185.2m) by selling 14m shares to a group of underwriters led by BNC Dominion Securities for distribution in Canada, Europe and the US.

Proceeds of the issue, comprising subordinate voting shares at C\$15.75 a share, are being used to reduce debt and put the company in a position to seize acquisition opportunities, said Mr Charles Cavell, president.

Analysts believe the company might expand next into Europe.

Quebecor Printing, until now, has been fully owned by Quebecor, the Montreal-based publishing and printing group.

It more than doubled in size two years ago by taking over the late Mr Robert Maxwell's Maxwell Graphics in the US for more than C\$500m. Later Quebecor bought out the remaining 20 per cent Maxwell minority holding.

As a result of the new issue, Quebecor Printing will be about 20 per cent publicly held on a fully diluted basis.

Western Canada's family owned Bentall property group has sold a 23.5 per cent equity interest for C\$40m to Prudential of America and a British Columbia government pension fund.

Direct public participation will follow within the next few years. The Bentall portfolio is valued at C\$1.1bn and expansion is planned in British Columbia, Washington State and California.

Four Seasons Hotels plan to raise C\$45m by the sale of 25m shares at C\$18.75 each to underwriters. The proceeds are to reduce debt.

## Mexico sells stake in Banoro

By Jeanne Grant in Mexico City

THE MEXICAN government has sold just over 66 per cent of Banoro for \$365m. This is equivalent to 3.95 times the bank's book value and a little more than eight times last year's earnings.

Banoro is the 15th bank to be privatised in Mexico.

The three remaining government-owned banks that have to be sold by the middle of this year are Banco

Internacional, Banco del Comercio and Banco del Norte.

The bank was bought by a syndicate of about 600 investors headed by Mr Rodolfo Esquer, Mr Fernando Obregon and Mr Juan Antonio Beltrán.

The group comprises the main stockholders and clients of Estrategia Bursátil, one of Mexico's oldest brokerage firms.

According to the finance ministry, the winning group intends to form an integrated

financial group based in north-western Mexico, an area where Banoro has traditionally operated.

Only two groups bid for Banoro, both of them led by well-known regional businessmen.

The winning group offered almost 20 per cent more than its rival.

The group paid 3,096.06 pesos per share (about \$1). However, this compared with the losing group's offer of 2,587 pesos per share.



Degussa audits its accounts

## Change and Progress.

## Planned

## Restructuring Measures Pursued Further

The 1990/91 fiscal year was a difficult one for Degussa. The recessionary climate had an unfavourable impact on Group results and capacity utilization. With revenues declining, corporate efforts focused primarily on consolidation and a boost in performance. A major priority was the implementation of restructuring measures, which included a concentration on core operating areas, the streamlining of facilities, a reduction in fixed costs and an increase in the Group's overall operational effectiveness.

As a result of the acquisition of the pharmaceutical company Arzneimittelwerk

Dresden GmbH (AWD) at the end of 1991, the Pharmaceuticals Sector has increased in importance for the Group. AWD, the largest pharmaceuticals manufacturer in eastern Germany, is a profitable company with over 2,000 employees, and sales exceeding DM 400 million.

## Sales and Income

Group sales were DM 13.3 billion - 4% below the previous year's figure. This was due to a lower sales volume in our precious metals trading operations. Foreign sales accounted for 70% of the total. As a result of weak worldwide economic conditions, and the costs of restructuring measures, pretax income declined

from DM 318 million to DM 179 million for the Group and from DM 170 million to DM 92 million for Degussa AG. Degussa AG's net income for the year amounted to DM 61 million, of which DM 10 million is to be transferred to the reserves and DM 51 million paid out to shareholders as a dividend per share of DM 7.00.

## Investments

Group capital investments reached the record level of DM 783 million. For the first time, over half of the investments were in projects abroad, the majority of which were large projects in the Chemical Sector. Upon completion of these projects, investments will return to a more

moderate figure and approach the level of depreciation. Group financial investments totalled DM 82 million. Cash flow amounted to DM 671 million.

## Research and Development

Since we are active in precious metals, chemicals and pharmaceuticals, we are able to take advantage of unique research

elements of our worldwide corporate planning, and provide a secure base for the future. Investments in environmental protection installations totalled DM 38 million, and accounted for approximately 5% of the growth in property, plant and equipment. Operating expenses attributable to environmental protection installations amounted to DM 154 million.

A third of the total were working abroad.

## Outlook

We do not yet expect an improvement in the overall conditions affecting our business. However, restructuring measures - in particular those introduced at Degussa AG and Leybold AG - are increasingly taking hold, and are expected to have quite a favourable impact on our results

| Degussa Group Consolidated Balance Sheet at September 30, 1991<br>(Not a disclosure under Articles 325 and 328 of the Commercial Code) |            |  |            |
|--|------------|--|------------|
| Assets   | DM million | Equity & Liabilities                                 | DM million |
| Property, plant & equipment  | 2,549      | Issued capital                                       | 365        |
| Investments  | 593        | Revenue reserves & profit available for distribution | 1,037      |
| Non-current assets   | 3,142      | Shareholder's equity                                 | 1,402      |
| Inventories  | 1,627      | Provisions   | 2,026      |
| Liquid assets & receivables  | 2,373      | Long-term liabilities                                | 1,370      |
| Current assets   | 4,000      | Short-term liabilities                               | 2,341      |
| Total  | 7,142      | Total  | 7,142      |

| From the Statement of Income |            |
|------------------------------|------------|
| Group                        | DM million |
| Consolidated Sales           | 13,350     |
| Cost of materials            | 8,761      |
| Payroll costs                | 2,742      |
| Depreciation                 | 522        |
| Income from investments      | 71         |
| Income taxes                 | 80         |
| Net income for the year      | 99         |

Upon request, a copy of our Annual Report may be ordered from the Public Relations Department, Degussa AG, P.O. Box 11 05 33, D-5200 Frankfurt/M., 11, Germany

and development opportunities. Following the strong growth rates of the previous two fiscal years, R & D expenditures were again up, increasing by 6% to DM 484 million. As of September 30, 1991, we employed a total of 2,945 people in research and development.

## Environmental Protection

Environmental protection and security are key

## Personnel

As of September 30, 1991, the number of employees in the Degussa Group had declined from 35,005 to 34,482. Despite this development, payroll costs again rose, growing by 4% to DM 2.7 billion. We proceeded with planned measures to reduce personnel. As of January 31, 1992, there was a decrease in the number of employees in the Group to 32,353.

for 1991/92. In addition, we project increasing income contributions from our pharmaceuticals operations.

Frankfurt am Main, April, 1992  
Degussa Aktiengesellschaft  
The Executive Board

DOWN TO EARTH SOLUTIONS  
**Degussa**

This announcement appears as a matter of record only.

£14,500,000

Management Buy-out of  
Sitex Security Products LimitedPHILDREW VENTURES  
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Phildrew Ventures Advisers is a member of IMRO and an associate of UBS Asset Management (UK) Ltd.

## BUSINESS IN THE COMMUNITY

The FT proposes to publish this survey on

May 12 1992.

It will be of interest to the 81% of Captains of Industry in Great Britain who are members of the FT. If you want to reach this important audience, and the FT's estimated one million readers worldwide call Edward Butt on 071 873 4196 or fax 071 873 3042.

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FT SURVEYS



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10,810,000 Shares

**XL EXEL Limited**

Ordinary Shares  
(par value \$0.01 per share)

2,185,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International Limited

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Cazenove & Co.

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Paribas Capital Markets Group

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S.G. Warburg Securities

8,625,000 Shares

This portion of the offering was offered in the United States by the undersigned.

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Wedbush Morgan Securities

April, 1992

**BANCO di NAPOLI S.p.A.**  
177, Via Toledo - Naples, Italy

# NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETINGS

Notice is hereby given that the ordinary and extraordinary General Meetings of the Company will be held at the Company's registered office at Via Toledo 177, in Naples, Italy, on Thursday 30 April 1992, respectively at 10.00 and 12.00 or, alternatively, should the need arise to make a second call, on Monday 4 May 1992, same time and place, for the purpose of discussing and voting on the following agendas:

## Ordinary Meeting

1. Submission and approval of the Financial Statements for the year 1991 and of the report of the Board of Directors;
2. To determine the remuneration of the Directors and Auditors.

## Extraordinary Meeting

1. Increase in capital stock from Lire 1,010,202 bl. to Lire 1,063,452 bl. by issuing N. 53,250 ordinary shares, each with a par value of Lire 1,000 at an issue price of Lire 4,000 to be assigned to the Italian Ministry of Treasury against the payment of Lire 213 bl. the latter made to the Company pursuant to the Law N° 358 of 20 November 1990 as set forth in the Board of Directors' Report pursuant to art. 2441, par 6 C.C.; subsequent amendment of art. 5 of the Articles of Association;
2. Amendment of art. 13 of the Articles of Association, by adding to the first paragraph: "Beginning from 1 May 1994, the Board of Directors can be extended to eleven members" and of art. 11, second paragraph, first line, of the Articles of Association which must be replaced with the following: "the member can appoint a proxy to represent him/her at the Meeting".

The right to attend the Meeting is reserved to those shareholders holding ordinary shares of the Company who at least five days before the date set for the Meeting have deposited the shares with Banco di Napoli S.p.A.'s branches or with one of the following designated banks:

Banco di Roma - Banca Nazionale del Lavoro - Banca Commerciale Italiana - Monte dei Paschi di Siena - Istituto Bancario San Paolo di Torino - Credito Italiano - Banco di Sicilia - Banco di Sardegna - Banco di Santo Spirito - Monte Titoli S.p.A. (for the shares it administers).

The shareholder is entitled to appoint another member with voting right to represent him/her, save as provided by art. 2372 C.C. The appointment of the proxy must be in writing and authenticated pursuant to art. 11 of the Articles of Association.

The Board of Directors' Report and the financial statements will be made available to the shareholders at the company's registered office as from 14 April 1992.

By order of the Board of Directors

**CREDIT LOCAL  
DE FRANCE - CARTE S.A.**  
US\$ 100,000,000  
FLOATING RATE  
NOTES 1990/1997

Borrowers are hereby informed that the rate applicable for the fourth period of interest has been fixed at 4.500%

The coupon is 4% will be payable at the price of US\$ 2.000 on October 15th, 1992, representing 183 days of interest, covering the period from April 15th, 1992 to October 15th, 1992 inclusive.

The Reference Agent and Principal Paying Agent:

**CREDIT LYONNAIS**

**BRADFORD & BINGLEY**

US\$ 100,000,000  
Floating Rate Notes Due 1998

Interest Rate 10.500% per annum  
Interest Period 1st April 1992 to 30th July 1992

Interest Amount per US\$ 100,000 Notes Due 30th July 1992 \$27,188

Credit Suisse First Boston Limited Agent

**U.S. \$250,000,000**

**Republic of Indonesia**

US\$ 250,000,000  
Floating Rate Notes Due 1993

Interest Rate 10.500% per annum  
Interest Period 1st April 1992 to 30th July 1992

Interest Amount per U.S. \$250,000 Notes Due 30th July 1992 \$62,500

Credit Suisse First Boston Limited Agent

## INTERNATIONAL COMPANIES AND FINANCE

# La Générale's net profit falls 38% to BFr7.6bn

By Andrew Hill in Brussels

INDUSTRIAL gloom has again hit Société Générale de Belgique, Belgium's largest holding company, which yesterday announced a 38 per cent drop in net profits for 1991 to BFr7.6bn (\$223m) from BFr12.2bn.

But the group said there were "positive signs" of growth in 1992, and plans to maintain its dividend at BFr4 per share as a sign of confidence in the future.

An improved result from the group's service companies - which include banking and insurance subsidiaries - underpinned the 1991 figures. They recorded improved current profits of BFr6.3bn against BFr5.0bn.

But profits at many of La Générale's industrial companies slumped - in particular at Acec-Union Minière, the 78 per cent-owned non-ferrous metals subsidiary, and Gechem, the chemicals subsidiary, both of which made losses. They helped drag down the sector's contribution to just BFr200m from BFr570m.

In 1990, the industrials made BFr15.2bn and the whole company recorded net profits of BFr20.1bn.

The group said it planned to inject BFr3bn of new capital into Gechem, and was looking for industrial partners for Acec-Union Minière, or for any of the group's 12 "business units". Mr Gerard Mestrallet, La Générale's managing director, said the holding company would be prepared to sell some of its stake in Acec-Union Minière, but would retain a majority interest.

The group's current result, before exceptional gains, slipped to BFr4.5bn from BFr5.3bn. Mr Mestrallet pointed out that if Acec-Union Minière were excluded, group profit had actually risen slightly during 1991.

With the industrial economy in the doldrums, La Générale has been hamstrung by its dependence on stakes in cyclical industrial groups, and in recent months its share price has reacted most favourably to rumours that it plans to spin off its zinc, chemicals or cement subsidiaries.

But Mr Mestrallet said yesterday: "La Générale isn't a company which is getting smaller and smaller, and which has to divest companies to keep itself afloat."

He pointed out that the estimated value of the group's holdings had nearly doubled to BFr17bn since the end of 1987 - before Mr Carlo de Benedetti, the Italian entrepreneur, unsuccessfully tried a takeover.

La Générale was rescued from that bid by Compagnie Financière de Suez, which now owns 61 per cent. Suez and Groupe AG, part of the insurance company Fortis, have both agreed to complete the purchase of their shares in La Générale releasing BFr11.5bn of capital.

La Générale also stands to receive a further BFr3.9bn from Accor, the French hotels group, when the Belgian company exercises a put option and sells some of its shares in Wagons-Lits, the Franco-Belgian tourism company. Accor and La Générale mounted an agreed bid for Wagons-Lits last year.

# The 'Hoover' prepares to clean up O&Y

Mr Gerald (Jerry) Greenwald - who was last night named by Olympia & York, the Canadian property group, as its president and deputy chief executive - was once nicknamed "the Hoover" because of his ability to absorb vast quantities of information. At the rate Mr Greenwald has been travelling recently, this can only be an asset.

Until mid-1990, Mr Greenwald seemed to have a clear, and fairly well-defined, future. The Princeton economics graduate, who had spent the first 22 years of his business career with Ford, was widely accepted to be Mr Lee Iacocca's successor as chairman of Chrysler. He already held the position of vice-chairman, and had been working at Chrysler, the small-

Nikki Tait

profiles the new head of the troubled property developer

est of the three Detroit car-makers, since the early 1980s. But in June 1990, Mr Greenwald, then 54, switched course. He opted instead to head a union-bought attempt at UAL, the parent company of United Airlines. Had the deal ever come to fruition, Mr Greenwald would have run the large but somewhat unsettled airline, replacing its chairman, Mr Stephen Wolf.

It was a move which caused comment at the time, and observers were quick to suggest motives. For a start, the financial terms of the deal must have looked attractive. Mr Greenwald received a \$5m bonus when he left Chrysler, and was guaranteed another \$5m if the UAL deal collapsed. "That is exactly what happened: only months later, largely because of mounting difficulties in securing bank financing for leveraged transactions, the deal's demise left former colleagues at Chrysler to talk about "Jerry's \$9m summer job".

But kinder commentators also suggested that the uncertainties over Chrysler's own future as an independent company may have influenced Mr Greenwald's decision to depart. And they noted that the vice-chairman, although credited with negotiating Chrysler's bailout plan, had stood in Mr Lee Iacocca's formidable shadow for many years, and may have found the limelight attractive. "One doesn't last long with Iacocca, taking a different position from his," one Chrysler employee commented later.

At any rate, Mr Greenwald's next move was to Dillon Read, the Wall Street investment bank, as a managing director. There, he oversaw the bank's buyout funds and, appropriately enough, "was involved in the firm's efforts to provide financial assistance and advice to troubled companies." He resigned last week.

According to Lee Iacocca, who wrote glowingly of Mr Greenwald in his autobiography, he is also "an entrepreneur who can analyse a problem and then move on to solve it". That is a quality which will be much-tested in the months ahead.

# Alcan slides into the red

DEPRESSED prices for ingot and fabricated products pushed Alcan Aluminium into a loss for the first quarter to end-March, writes Robert Gibbens.

The first-quarter loss was US\$13m, or 8 cents a share, against a loss of US\$1m, or 3 cents, a year earlier.

Sales and operating revenues were down 6 per cent to US\$1.84bn. Ingot tonnage shipments were up, but fabricated shipments slipped.

Average price realised on primary ingot was down 22 per cent from a year earlier. Prices in the first two months this year were at record low levels after inflation. Company inventories were unchanged.

● Celanese Canada, controlled by Hoechst of Germany, earned C\$8.2m (US\$6.5m), or 58 cents a share, in the first quarter, against C\$9.4m, or 67 cents a year earlier.

Sales were C\$95m against C\$104m.

# Goodyear expects record sales

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the last of the big US tyre-makers, yesterday said it expected to post record first-quarter sales and put forward an accelerated timetable to reduce its debt.

Wall Street responded enthusiastically to the news by marking Goodyear's shares \$2.40 higher to a 52-week high of \$70. The stock has traded in a range of \$31 to \$69 in the past year.

Mr Stanley Gault, who took the helm at Goodyear last year and is widely credited with masterminding the company's improvement, predicted first-quarter sales of about \$2.7bn with net income reaching \$60m to \$65m. This compares

with a net loss of \$90.1m a year earlier on sales of \$2.5bn.

Mr Gault said Goodyear was aiming for a sustainable 10 per cent profit margin, although this was partly dependent on an improvement in the general economy.

"However, the priorities I have outlined for Goodyear are designed to improve the operating performance of the company by managing it to make money and without the benefit of strongly improving economic conditions," Mr Gault said.

Reducing Goodyear's debt, which the company took on in 1988 to thwart a takeover attempt by Anglo-French financier Sir James Goldsmith, is one of Mr Gault's main concerns. At the end of 1991,

Goodyear had reduced its debt by \$1bn to \$2.6bn.

The company expects to have a debt-to-capitalisation ratio of less than 40 per cent this year, falling below 35 per cent in 1993 and below 25 per cent by 1994. At the end of 1990, the ratio was more than 60 per cent, and stood at 49.2 per cent at the end of 1991.

"We expect to obtain in the neighbourhood of \$400m to \$450m from additional assets sales for further debt reduction," said Mr Gault.

In addition, he said marketing agreements had increased the number of locations selling Goodyear's tyres by 33 per cent in 1991. "A significant part of this new business will be incremental unit growth," he said.

# Trygg-Hansa in Gotabanken bid

By Hilary Barnes in Copenhagen

TRYGG-HANSA SPP, the Swedish insurance group, has attempted to crush rumours about the stability of Gotabanken, Sweden's fourth largest commercial bank, by making an offer to buy all the outstanding shares in Gota.

The bid, representing a premium of about 54 per cent over the April 10 market price of Gota's shares, was made after a week in which many small savers in Gota withdrew money from the bank.

Trygg-Hansa's cash bid has the support of the Gota board. Trygg-Hansa already owns 43.5 per cent of the

shares and 48.3 per cent of the voting rights in Gota.

The Trygg bid is the latest development in Sweden's banking crisis. Last autumn the government was forced to make a large capital injection into Norrbanken, the country's third-largest bank in which the state has a dominant shareholding.

The government also has had to organise a rescue for Fvrtst Sparbanken, the Stockholm regional savings bank.

Gota made a SKr2.13bn (\$359m) operating loss in 1991, when loan loss provisions jumped from SKr62m in 1990 to SKr37m last year, equal to about 4.5 per cent of outstanding loans and guarantees.

The bank also had a SKr11bn portfolio of loans which were either non-performing or on which the terms had been modified to lower interest payments.

Trygg-Hansa had earlier promised to subscribe to a new share issue by Gota in order to maintain confidence in the bank. This issue has now been postponed.

Trygg said the merger with Gota will turn Trygg-Hansa SPP into a financial group with a complete range of services in banking and insurance.

The group has premium income of about SKr42bn, including two mutual life insurance companies, Trygg-Hansa Life and SPP.

# Hafnia shareholders fight Skandia

By Hilary Barnes

INSTITUTIONAL shareholders in Hafnia Holding, the Danish insurance group, claim to have raised sufficient shareholder support to call an extraordinary shareholders' meeting and to block the proposed takeover of Hafnia by Sweden's Skandia.

Opposition to Skandia has been led by the LD Fund, controlled by the Danish trade union.

Mr Jeppe Christensen, the fund's investment manager, said yesterday there was support from large and small shareholders for the extraordinary meeting.

He said such a meeting would be called when shareholders have an alternative solution to the takeover by Skandia.

Skandia agreed to take over Hafnia last Thursday after negotiations with its board. Hafnia has been financially weakened by an attempt, with Norway's UNI Storebrand, to gain control of Skandia. The aim was to set up a Nordic insurance alliance.

Skandia has made its bid conditional on acceptance by 90 per cent of the capital and votes in Hafnia.

Analysts maintain the bid is far too low. Mr Lau Svendsen, from the Copenhagen broking firm Fibroco, said the bid, worth about DKr2.7bn (\$438m) at market value, is worth less than the book value of Hafnia

holders have an alternative solution to the takeover by Skandia.

The bid takes no account of Hafnia's goodwill value or the goodwill write-offs, worth about DKr1.2bn.

A shareholders' revolt can only succeed, said Mr Svendsen, if they can find an alternative solution to Hafnia Holding's problems. This means they must find a way of selling Hafnia's 14.5 per cent stake in Skandia and its 33.7 per cent stake in its domestic rival Balcica.

The stake in Balcica has created speculation that the outcome of the Hafnia shareholders' action could be a merger between Hafnia and Balcica, a solution which was discussed two years ago but fell through.

# Primerica lifts earnings to \$153.9m

By Patrick Harrington in New York

RECORD earnings from its Smith Barney securities broking subsidiary helped Primerica, the US financial services group, yesterday report a 45 per cent increase in first-quarter operating profits to \$153.9m.

Total income for the period, however, was \$220.8m, because the group reaped \$66.9m in net gains from the sale of stock in Inter-Regional Financial, Musicland and Margaretten, the group's former mortgage banking subsidiary sold in a public offering in January.

Revenues were up from all of Smith Barney's main business lines, a reflection of strong market participation by individual as well as institutional investors, extremely high levels of new issue offerings and a solid increase in assets under management.

Only principal trading, where revenues rose just 5 per cent, failed to match the record pace set by the rest of the company.

Smith Barney was again the star performer in the Primerica stable, riding another buoyant quarter for Wall Street and domestic stock markets to record profits of \$56.1m, almost double the \$28.3m the broking house earned a year earlier.

The new stock offering is just one of several options being considered by USX. The company may also sell assets

# USX may sell shares in Delhi Group

By Karen Zagor

USX, the US steel and energy group, yesterday said it might sell shares in its Delhi Group, including the Delhi gas pipeline and other related companies, as part of its efforts to realise shareholder value.

The Pittsburgh, Pennsylvania-based company said it would propose issuing a new

class of common stock, called USX-Delhi Group, at its annual shareholders meeting on May 4.

The Delhi Group, currently part of USX's Marathon gas operations, had sales of \$42m, operating income of \$3m and assets of \$58m in 1991.

The new stock offering is just one of several options being considered by USX. The company may also sell assets

or create a master limited partnership, which would not require shareholder approval.

This latest effort to realise additional value for the Marathon Group follows USX's novel stock split last year when the company bowed to pressure from Mr Carl Icahn, the New York financier, and agreed to issue a new class of stock.







## Investors push gilts toward German yields

## Morgan Grenfell to set up unit in Milan

## Tokyo SE decline puts pressure on Eurobond dealing

ments are excluded. According

ments are excluded. According to figures produced by the Japanese Securities Dealers Association, Eurobond investments - mainly in Eurodollar instruments - last year totalled \$33bn. Leaving these aside, the Japanese made roughly the

The extent of Japanese repatriation of capital has been modest so far, most traders say. Japanese banks and life assurance companies find themselves in very different positions.

● For banks, with a pressing need to shrink balance sheets, selling foreign bond holdings appears attractive. However, as Mr. Cliffe of NRI points out,

such holdings are among the highest-yielding assets the

banks hold. The pressure to improve margins means they would be loathe to sell.

● Although insurance companies may not be directly hit by the Tokyo stock market collapse, as providers of subordinated loans they have in the past provided one of the props

**Japanese net purchases of foreign bonds**

| Year | US (including eurodollars) | Europe (UK, Germany, France, Netherlands, Belgium & Italy) |
|------|----------------------------|--|
| 1970 | 15                         | 15   |
| 1975 | 40                         | 35   |
| 1980 | 50                         | 45   |
| 1985 | 55                         | 50   |
| 1990 | 45                         | 40   |

| Country            | Percentage (%) |
|--------------------|----------------|
| Japan              | ~19.5          |
| Germany            | ~17.5          |
| France             | ~16.5          |
| Italy              | ~15.5          |
| Spain              | ~14.5          |
| U.S.               | ~13.5          |
| Canada & Australia | 10.0           |



## LONDON TRADED OPTIONS

[illegible]

|             |    |              |    |              |    |           |            |                |
|-------------|----|--------------|----|--------------|----|-----------|------------|----------------|
| Playa       | 30 | BKN          | 06 | Midland Bank | 19 | 11 1/2    | Gaelic Ass | 1/2            |
| Circle      | 28 | Gen Accident | 01 | Norfolk Bank | 23 | Unk       | 70         |                |
| Coats       | 33 | GEC          | 15 | P & O Old    | 30 | Wellcome  | 72         | Presbiter Cons |
| Downer      | 36 | Glaco        | 09 | Nucal Ind    | 6  | PROPERTY  | 23         | Shall          |
| Aeroplane   | 30 | Grand Mee    | 70 | RHM          | 15 | Brit Land | 18         | Tuskar Ass     |
| British Bus | 8  | GRU          | 10 | Park Org     | 52 | Land Soc  | 26         | MINES          |
| Telecom     | 26 | Harrison     | 16 | Rashers      | 3  | MEPC      | 26         | RTZ            |
| Survey      | 83 | ICI          | 00 | Reed Int     | 30 | Mountshel | 1 1/2      |                |



## COMPANY NEWS: UK

## Mowlem plunges to £3m and sheds property side

By Angus Foster

JOHN MOWLEM, the UK construction group, yesterday continued the trend of disappointing results from the sector and announced a sharp fall in profits mainly due to poor figures from its scaffolding subsidiary SGB.

Mowlem also announced more than £20m of extraordinary and exceptional provisions to cover its withdrawal from commercial property development and the termination of two housing joint ventures, although it will continue its wholly owned housing business John Mowlem Homes.

The company reported a pre-tax profit fall from £34m to £3m in the year to December 31. This follows a more than 50 per cent fall at the interim stage, when no provisions were made, from £18m to £7m.

But Sir Philip Beck, chairman, hoped for improved performance this year from housing and tool hire. "We're encouraged by the election and hope the housing market will now begin to grow and lead to a recovery for the whole construction industry," he said.

Mowlem is recommending cutting its total dividend to 10.5p (21p), which is uncovered, after a final dividend of 4.85p (15.35p). Analysts expected a heftier dividend cut and the shares gained 13p to 148p on the news.

Turnover fell to £1.89bn (£1.52bn) due to lower sales



Sir Philip Beck: hoping for an improved performance

from contracting and scaffolding. Operating profits fell to £13.8m (£41.6m) after accounting for redundancy and restructuring costs of £5.2m.

Hardest hit was scaffolding, where operating profits dropped to £8.8m (£37.7m) due to volume and margin pressure. Staff numbers have been reduced by 25 per cent, taking about 15m out of overheads, and further reductions are planned if volumes continue to fall.

Contracting increased operating profits to £5.6m (£5.9m). There would have been no increase without £3m of bad debt charges in 1990. The division's order book has continued to decline, to £700m from about £1.1bn two years ago.

Sir Philip remained optimistic

for London City Airport, in which Mowlem holds a 50 per cent stake, despite uncertainty about the extension of the Jubilee Line following property developer Olympia & York's debt refinancing talks.

Housebuilding was affected by recession throughout the sector and average prices fell from £86,000 to £72,000. Nevertheless, the company maintained sales of 400 units and the division returned to a profit of £1.6m (loss £2.4m).

Net interest payable fell sharply to £3.8m (£5.2m). Interest receivable increased to £12.7m, helped by the proceeds of last year's £20m rights issue.

Mowlem made exceptional provisions for losses of £7.2m, of which £2m related to the termination of the joint venture property developments. There was also a £2m deficit in the accounts of a French subsidiary, which the company will seek to recover, and £2.2m of previously concealed prior year losses. Mowlem refused to comment further, saying the matter is sub judice.

The company is making an extraordinary provision, less taxation, of £13.3m to cover the withdrawal from commercial property. There was a loss per ordinary share of 2.2p (earnings 23.7p).

Losses attributable to shareholdings totalled £15.5m (£15.4m profit) and, combined with the interest bill, a £26.6m transfer from reserves was needed.

See Lex

## Burger King distribution services sold for \$100m

By Philip Renshaw

BURGER KING, the Grand Metropolitan fast food subsidiary, is selling its in-house distribution business to the Canadian-based ONEK Corporation for an estimated \$100m (£50m).

Burger King Distribution Services distributes food and paper products to all the Burger King restaurants in the US and is one of 17 approved distributors for the worldwide business.

Mr Barry Gibbons, Burger King's chief executive, said the BKDS sale was another step in Burger King's strategy of focusing on building the global Burger King brand. It follows the appointment last week of Restaurant Services (RS), a joint venture with US franchisees, as sole purchasing agency in the US.

BKDS employs 1,500 people and operates 21 distribution centres throughout the US. Mr Gerald Schwartz, president and chief operating officer of ONEK, said: "We see significant North American and international growth opportunities with Burger King".

## Babcock settles litigation

Babcock International has agreed terms for the settlement of the long running litigation commenced against its subsidiary, Babcock International Holdings, by the receiver of IBH Holding, a German company in bankruptcy. IBH will make a cash payment of DM40m (£14m) to IBH together with certain costs. Total due under the settlement is not expected to exceed £14.5m. The group balance sheet includes a provision of £19.2m in respect of the liability relating to litigation.

In addition, as a consequence of the settlement, IBH will be entitled to file a claim of DM40m in the bankruptcy of IBH. Its receiver has indicated that this may give rise to an unsecured dividend of some 15 per cent of the value of the claim.

## Banks persuaded not to drop Aitch

Richard Gourlay on stitching together a clothing company's rescue

THE LADIES at Aitch Holding's shirt factory in Lurgan, Northern Ireland, hardly ever seem to pause for breath.

Fleet of fingers at the best of times - they are paid on a piece work basis - they are also acutely aware that Coats Vytella, a much larger competitor, has cut 900 jobs in Northern Ireland in the year, 566 of them last week.

Lurgan's ladies would not, however, be working today were it not for the many hundreds of hours put in by Aitch's bankers and its new management, dedicated to putting together a rescue plan, as well as the intervention of a government department and the Bank of England.

The Aitch rescue, which its shareholders were yesterday asked to approve along with a name change to Dunkeld Group, may not rank in size alongside the refinancings of Brent Walker or News International. But it is an example of banks, faced with huge losses, taking the responsible route of allowing management to work out a bad loan, thereby saving jobs, rather than putting the company in the hands of receivers.

But it was a close decision. Hill Samuel, Aitch's bankers had begun to put in the receivers last September, ending a sad and expensive episode for Mr Harry Rogers, its founder. Following the reversal of Mr Rogers' private clothes company into the quoted Manton group in 1988, Aitch was producing in Northern Ireland and London, had sales offices in Belgium and a buying office in the Far East.

It was also losing unknown amounts of money in Northern Ireland, and from a raft of

smaller companies in a wide range of garment related businesses.

The concentration by the Northern Ireland operation on short production runs of branded shirts, including the Ben Sherman, Pierre Balmain, Tern and Panache labels, meant costs were excessively high by comparison with manufacturers in the Far East. Combined with operational problems at the contract shirt operations in Northern Ireland, the company was heading for the rocks.

By early last year, it was clear that losses in these areas were not going to be offset by

"The rescue may not rank alongside the refinancings of Brent Walker or News International, but it is an example of banks, faced with huge losses, taking the responsible route, allowing management to work out a bad loan, saving jobs, rather than putting the company in the hands of receivers".

the profitable Neal & Cooper and Gottfried & Paul ladies leisurewear businesses and that ordinary trading would not reduce debts. Hill Samuel, owed £9.5m, and Fennoscandia, owed £2.5m, were getting nervous.

Just how badly the company had fallen was demonstrated in February when it reported losses after tax and extraordinary items of £18.73m in the year to November 1991, taking the company far into negative shareholders' funds territory. At its peak in 1988, Aitch had commanded a market capitalisation of only £13m.

With this track record, it took escapology worthy of Harry Houdini for Aitch to unwind Hill Samuel's decision to send in the receivers.

Over one stress-filled night,

Mr Michael Green, a corporate doctor and entrepreneur appointed by the board to sort out the problems in Northern Ireland, and Mr Jon Sachs, a director of the Bank of Ireland, managed to amass enough of an argument to convince Hill Samuel to hold off the receivers for two weeks until the new management team had put together a recovery plan.

Mr Sachs says the subsequent efforts to get the restructuring to stand up was something of an "Indian rope trick". It rested partly on the argument that the banks simply should not be walking away from 700 group jobs with-

£500,000 of new capital.

But Aitch's stay of execution had as much to do with the fact that it was entering a trading period during which it would be pulling in more cash than it would spend, making the banks no worse off for not pulling the plug immediately.

This breathing space allowed Mr Green to pull together the business plan. From the beginning he argued that Aitch was never going to trade its way out of trouble and would need to build a few of its better businesses for sale. In addition the banks would have to grant management three years grace to do this.

Mr Green convinced the banks this was the right way forward. Following many more hours of "last minute hitches", Hill Samuel and Fennoscandia have taken a 9.5 per cent stake, while the new management has nearly 17 per cent.

As the group emerges from the restructuring, Mr Green says profitability of all four of Aitch's labels will rise and that unprofitable businesses have been sold.

Northern Ireland now fulfils almost nothing but contract orders of shirts, the branded business is almost solely supplied from imports.

There remains, however, the matter of a £2.2m deficit on shareholders' funds as of last November, after taking into account sales of businesses and the conversion of bank debt in to equity.

To climb out from under this weight and return to the dividend list, Aitch will almost certainly have to build one of its remaining businesses and then sell it. Only then can its employees in Lurgan be certain they will not go the way of the employees at Coats Vytella.

## Morgan Crucible pins its hopes on the US

By Richard Gourlay

MORGAN CRUCIBLE, the industrial materials maker that yesterday reported profits up 3 per cent last year, is in an enviable position as the US begins to edge out of recession.

With 45 per cent of its profits deriving from North America, the company is confident it can ride the economic recovery that should be emerging by the time President Bush seeks reelection later this year.

While continental Europe is a possible problem area, with recession at least a possibility,

Morgan should enjoy the benefits of its decision 18 years ago to reduce its reliance on the UK and to spread into world markets.

Shareholders would be forgiven, however, for wondering if Morgan might not spring yet another rights issue for more acquisitions. Last April's £90m rights issue was dropped on a market still digesting a £75m call some 10 months earlier.

While Morgan has not lost its appetite to acquire, it still has about half the latest rights proceeds on deposit and Mr Bruce Farmer, chief executive, has said that unless something

extraordinary happens, shareholders will not be tapped again this year or in 1993.

Morgan is therefore left to enjoy, not only the interest on their pile but the fruits of its four US acquisitions last year, all of which look as though they will immediately enhance earnings.

In the absence of a faltering in US growth - an occurrence Mr Bush will do his damndest to avoid - Morgan should make pre-tax profits of £71m this year, giving earnings of 22p which put the shares on an undemanding prospective multiple of 13.

## Touche Ross issues unclouded facts about Muddy Fox owners

Touche Ross yesterday clarified the identity of the two new owners of Muddy Fox, the privately-owned UK mountain bike company which came out of administrative receivership earlier this month.

The UK accountant said it had been advised that the actual co-owners of Muddy Fox

are - as originally stated - Sbac, a UK-based engineering and property group, and Parry Murray, and not TI Cycles of India as announced on April 5.

Touche said Murugappa Group of India had interests in both Tube Investments of India (of which TI Cycles is part) and Parry Murray.

## DIVIDENDS ANNOUNCED

|                   | Current payment | Date of payment | Corresponding dividend | Total for year | Total last year |
|-------------------|-----------------|-----------------|------------------------|----------------|-----------------|
| Allied Leis Props | 1.075           | July 1          | 1.075                  | 0.85           | 3.52            |
| Dixie Heel        | 0.8             | July 1          | 0.8                    | 0.85           | 0.85            |
| Frost Group       | 2               | July 3          | -                      | 2              | 2               |
| Goermeygas        | 1.85            | -               | 1.85                   | 2.5            | 2.25            |
| Morgan Crucible   | 6.85            | July 1          | 6.75                   | 12.61          | 12.4            |
| Mowlem (John)     | 4.85            | July 7          | 15.35                  | 10.51          | 21              |
| Roskel            | 3               | June 5          | 3                      | 4.3            | 4.3             |
| Vival Holdings    | nil             | -               | 0.5                    | nil            | 0.5             |

Dividends shown pence per share net except where otherwise stated. 10m increased capital. 100m stock, 100m paid gross.

## TOTAL Announces Net Income Up 43% in 1991

The Board of Directors of TOTAL S.A. met on April 8, 1992 to review parent company and consolidated financial statements for 1991.

## Consolidated Results

| In millions of French Francs          | 1991    | 1990      |
|---------------------------------------|---------|-----------|
| Sales                                 | 143,019 | 128,445   |
| Cash flow                             | 13,654  | 11,513(*) |
| Operating income of business segments | 10,332  | 7,936     |
| Net income after minority interests   | 5,810   | 4,004     |

|  |          |            |
|--|----------|------------|
| Earnings per share (before stock split)        | FF 110   | FF 89.00   |
| Earnings per share (after 4-for-1 stock split) | FF 27.50 | FF 22.25   |
| Earnings per ADS                               | \$2.65   | \$2.18(**) |

(\*) In 1991, the remuneration of the Group's shareholders (excluding dividends) was accounted for as dividends. 1990 cash flow has been restated using the same method, which added FF 10 million to the reported figure.

(\*\*) Computed for comparability convenience only since there were no ADSs issued in this year.

The substantial earnings increase stems from the Group's strong overall performance in an uneven economic environment. Average crude oil prices declined from \$23.50 a barrel in 1990 to \$20 in 1991, with a sharp drop in the latter part of the year. Refining margins, which had been inflated in first-quarter 1991 by tensions in the Gulf, subsequently stabilized at a level that reflects continued structural improvement in European refining. Lastly, after a midyear rally, the dollar closed the year at a low of FF 5.18.

Under the circumstances, increased sales were the result of significantly higher volume. Oil and gas production rose 14% from 556 thousand barrels of oil equivalent per day (boe/d) in 1990 to 634 thousand boe/d in 1991, while sales of refined petroleum products advanced 11%, as did those of crude oil, also up 11%, from 1,364 thousand b/d to 1,541 thousand b/d. Other factors included the full consolidation of Orkney's chemical operations and Hutchinson's sustained success in its leading markets.

The 18% rise in cash flow reflects strong overall sales, with unit margins contracting upstream and expanding downstream.

Exceptional items were limited in 1991 to a FF 288 million loss (entirely attributable to shareholders), versus a FF 466 million charge in 1990 (of which FF 408 million was attributable to shareholders).

The merger with OFP and the public offer for the outstanding shares of Hutchinson reduced the share of minority interests from FF 265 million in 1990 to FF 32 million in 1991.

TOTAL's net income, after minority interests, amounted to FF 5,810 billion, a 43% rise over the previous year's profit.

The number of shares outstanding grew by 15% following the OFP/Hutchinson transactions and the October 1991 offering of new shares. Earnings per share therefore totalled FF 110 in 1991 (equivalent to FF 27.50 per share after the four-for-one stock split on February 10, 1992), up 24% from 1990. This calculation is based on the fully diluted year-end share base, which includes the subordinated perpetual notes repayable in shares (TSDIRAs).

Operating income by business segment

| In millions of French Francs | 1991   | 1990  |
|------------------------------|--------|-------|
| Exploration and Production   | 2,039  | 3,034 |
| Refining and Marketing       | 925    | 959   |
| Trading and Middle East      | 4,868  | 3,011 |
| Chemicals                    | 1,488  | 926   |
| Mining                       | 112    | 6     |
|                              | 10,332 | 7,936 |



TOTAL BY NAME, TOTAL BY NATURE

Touche TOTAL, Coder 47, 92009 Paris La Defense France

This announcement appears as a matter of record only

9th April 1992

£48,500,000

Management Buy-in/Buy-out of

## Salt Union Limited

from

Imperial Chemical Industries PLC

by

D. George Harris &amp; Associates

Equity financing led by

FOREIGN & COLONIAL VENTURES LIMITED  
CHASE MANHATTAN INVESTMENT HOLDINGS INC

Equity finance provided by

Foreign & Colonial Ventures Limited  
Prudential Insurance Company Inc  
General Motors Investment Management Corporation Inc  
Chase Manhattan Investment Holdings Inc  
North American Salt Company Inc

Mezzanine finance arranged by

Chase Investment Bank Limited

and underwritten by

The Chase Manhattan Bank NA

Senior Debt arranged by

Barclays Bank PLC

and co-underwritten by

Barclays Bank PLC

Bank of Scotland

Foreign &amp; Colonial

Ventures

a member of IMRO







## COMPANY NEWS: UK

## Powell Duffryn to sell shipping arm

By Andrew Bolger

POWELL DUFFRYN, the distribution, storage and engineering group, has sold a 60 per cent stake in its shipping subsidiary, one of the most famous names in the British shipping industry.

In a deal which values the fleet at £12m, Powell Duffryn has sold the stake to unidentified private clients of Hambros Bank, which financed the purchase.

Powell Duffryn has received a total of £18.5m in cash, comprising £5.3m for the shares and £13.2m repayment of inter-company debt. It has also been released from external obligations of £1.2m.

The buyers will eventually acquire the remaining 40 per cent of Stephenson Clarke when Powell Duffryn has received a maximum of £6m from its share of the shipping company's profits.

Powell Duffryn will remain in shipping services, but this deal is the latest in a series of

disposals and acquisitions which has seen it increasingly focus on engineering activities.

Last week the group completed the sale of its remaining foundry interests - Powell Duffryn Castings and Hamworthy Precision Machine - to European Automotive Components for £4.5m in cash.

In October the group received £30m from the dissolution of its quarrying and brick-making joint venture with Hanson, the UK conglomerate.

Mr Bill Andrews, chief executive of Powell Duffryn, said these cash inflows would help reduce group gearing from a percentage in the low 40s at the half-year at the end of September to about the low 20s.

On the engineering side, Mr Andrews said he intended to both invest and consider further acquisitions in combustion technology, railway bogies and marine products such as pumps and compressors.

He wished to concentrate on

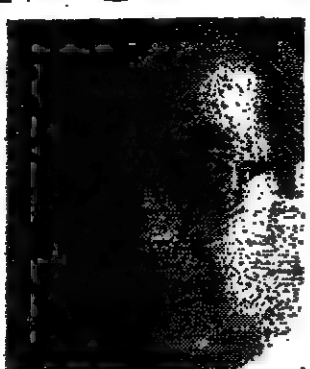
businesses where the group had at least a European position, and preferably could become world players.

Last May Powell Duffryn bought the combustion operations of Dresser Industries from Dresser Industries of Dallas for £5m, and last month it paid £4.5m for another combustion technology company, Feabody Engineering of Connecticut.

Powell Duffryn has also recently invested £12.7m in the consortium it leads which in December successfully bid £120m for control of the Tees and Hartlepool Port Authority, the first major trust port to be privatised.

In spite of this continuing restructuring, Mr Andrews said Powell Duffryn was happy to stick with its fuel distribution and storage businesses, which last year produced the bulk of the group's trading profits.

The Stephenson Clarke management team in Newcastle will continue to operate the



Bill Andrews: cash inflows would help reduce gearing

fleet under the non-executive chairmanship of Mr Geoffrey Walker, the managing director of Powell Duffryn Shipping, which continues to own Cory Brothers and the group's other shipping services interests.

Stephenson Clarke made pre-tax profits of £1.6m in the year to March 31 and its fleet had a net book value of £22.4m.

## GWR coal offshoots file for Chapter 11

By Peggy Hollinger

GREAT WESTERN Resources, the beleaguered oil and gas group in litigation with its once-largest coal customer, yesterday announced that its coal subsidiaries had filed for protection under the Chapter 11 of the US bankruptcy code.

The application will allow GWR to shift the jurisdiction on its legal battle from South Carolina, where it is in dispute with South Carolina Public Services Authority, the state public utility, to its home state of Texas.

Mr Howard Wolf, chairman of GWR, said the decision to file for Chapter 11 would speed up the outcome of a battle which has already lasted 18 months.

SCPSA, commonly known as Santee Cooper, disputes the validity of contracts with Great Western's coal companies, and is claiming \$60m (£35m) in damages. It has already had \$33m in coal payments to GWR attached by South Carolina courts.

Under US law, the Houston bankruptcy courts will now take over the legal proceedings, and decide whether the \$60m claim is appropriate.

Mr Wolf said a ruling on the amount of the Santee Cooper claim was expected "within months... We will use the amount that the bankruptcy court assigns as a key element of our reorganisation plans".

Mr Wolf said the company had not made contingency plans in case the ruling was in favour of Santee Cooper's \$60m claim. "It is like planning for the planet Earth to be struck by a meteorite," he said. "It is so unlikely to come to pass that we haven't devoted any significant time to deal with it."

The company expected to present the court with its reorganisation schedule for the coal companies within the next 60 to 90 days.

Mr Wolf said the decision to move the subsidiary into Chapter 11 had been taken after extensive consultation with the parent company's creditors who are owed a total of about \$70m.

## Poor buying behind Vivat fall to 'unacceptable' £0.68m loss

By Roland Radt

MR CHRISTOPHER Burnett, the new chairman of Vivat Holdings, yesterday rebuked the previous management's "poor buying decisions" and its diversification from the core business.

These, he said, were responsible for turning a pre-tax profit into a loss, which translated into losses after tax and extraordinary items of £12.5m. For the year to December 31 the Leo Cooper jeans manufacturer, 29.9 per cent owned by Wing Tai, the Singapore clothing company, reported a pre-tax loss of £678,000 (profit £3.65m). This was struck on turnover 14 per cent down at \$99.1m (£103.7m).

Mr Burnett, who took over in October, described the results as "unacceptable" and said it was a "sad reflection" on the way the group had been managed.

However, he added that the current first-half trading had so far been encouraging, although it was too early to say whether the group would move back into the black.



The exceptional item of £568,000 related to the relocation of the group's headquarters from Paris, where the chief executive and finance director had been based, to London.

A further £11.9m was taken as an extraordinary item. This related mainly to lease obligations to Grant Seward, Vivat's former retail subsidiary sold in 1988 to Chelsea Man which subsequently went into liquidation.

The extraordinary item was swollen by the writing-off of two years' payments from sale and lease-backs of trade marks; bank borrowings to Otto Albert, its German subsidiary which was put into receivership, and losses arising from the disposal of a small Spanish subsidiary.

This reduced shareholders' funds by £12.5m to £15.1m, increasing gearing to 73 per cent.

Net borrowings were £11m at the end of the year. Losses per share emerged at 1.3p (earnings 8.5p). The final dividend has been passed (0.5p), leaving no payment for the year (0.5p).

## Macmillan seeks freeze on Berlitz shares

By Raymond Hughes, Law Courts Correspondent

A HOLDING OF 56 per cent in Berlitz, the language school, was transferred by Macmillan, the publisher, to Bishopsgate Investment Trust, a private company in the Maxwell group, on November 5 1990, exactly 12 months before the death of Mr Robert Maxwell, the High Court was told yesterday.

Mr David Oliver QC, for Macmillan, the main publishing subsidiary of Maxwell Communication Corporation, said the transfer had been instigated by Mr Robert Maxwell and Mr Kevin Maxwell. Mr David Shaffer, a Macmillan director and appointee to the Berlitz board, was also shown as having been present at the meeting, "but denies ever having been there", Mr Oliver said.

Macmillan is asking the court to grant injunctions preventing four banks, which hold 9.8m of the 10.8m shares involved, dealing with them pending full trial in the autumn of a dispute over their ownership. The banks had taken them as collateral for loans to Maxwell entities.

Mr Justice Hoffmann refused a plea by Mr Oliver for Macmillan's opposed application to be heard in private.

Mr Oliver said that only the "legal estate", not the beneficial interest, in the holding had been transferred to BIT, which had been purely a nominee. Between March 11 and October 15 last year BIT had transferred 9.8m shares into the name of Cede, nominee for the Depository Trust Company.

The remaining 1m shares had been com-

prised in two certificates. BIT held one and had "all but acknowledged they are ours", Mr Oliver said. The other certificate had been transferred by BIT to Credit Suisse on September 27 1991.

Mr Oliver said that of the shares transferred to Cede 1.9m had since been registered in the name of Shearson Lehman Brothers Holdings, Swiss Volksbank held 2.4m, Credit Suisse 2m and Morgan Stanley Trust Company 3.3m.

Mr Oliver said that Morgan Stanley itself made no claim to the shares. It believed it might be holding some for Bishopsgate Investment Management, which managed certain Maxwell company pension funds. RIM had failed to claim the shares, although it had refused to acknowledge it had no claim, he said. The hearing continues today.

## The Maxwell name lives on in satellite television

By Raymond Snoddy

THE Robert Maxwell name lives on in the satellite television business thanks to France Telecom, the French telecommunications company.

Although not noticed by many people at the time, France Cable & Radio, a subsidiary of France Telecom, two months ago bought out Max-

well Communication Corporation's 50 per cent stake in Maxwell Satellite Communications.

The London-based company was set up to compete in the market for everything from professional services for broadcasters to business television and data transmission.

Following its creator's death the company's name has been

telescoped to Maxsat - in what looked like an attempt to disguise its origins.

"My son is called Max. That's another reason for keeping the name," said Mr Julian Costley, managing director of Maxsat, hopefully.

Maxsat yesterday became the first outside company to move into the space space at the new London headquarters of Inde-

pendent Television News.

The company has installed what it calls central London's first teleport - two steerable six metre transmit and receive antennas and associated equipment.

"We are offering broadcast and business television users London's most accessible and advanced uplink facilities," Mr Costley said.

## Frost at £2.5m after relisting

Frost Group, which through its Save and Look service stations is one of Britain's largest independent petrol retailers, yesterday released its first results since relisting last October.

The company announced 1991 pre-tax profits down from £4.7m to £2.5m on turnover of £82.8m (£101.6m).

However, Frost said the two periods were not comparable because of the company's previous status as a subsidiary of Norfolk House, the property group which went into receivership in March last year after buying Frost in 1990.

Earnings fell to 13.4p (24.2p) and the dividend is 3p (nil).

## Talks allow Cabra to lift threat to wind up Chelsea

By Andrew Bolger

CABRA ESTATES, the heavily-indebted property company, yesterday lifted its threat to seek the winding-up of Chelsea football club, saying talks on the future of the club's west London ground had made satisfactory progress.

The heads of an agreement have been signed, whereby the club will buy its Stamford Bridge ground from Cabra for about £13m in cash.

Crucially, the property company has been assured that Chelsea has access to bank funds and now hopes that a

formal agreement can be signed within weeks.

Part of the deal would involve Chelsea relieving Cabra of its obligation to pay Fulham football club roughly £2m to leave its Craven Cottage ground (to share Stamford Bridge) to clear the way for redevelopment.

Cabra warned that Chelsea might have to be wound up after the club did not come up with the £22.85m purchase price for Stamford Bridge by last week's deadline, set as part of a contract backed by recent High Court and Court of Appeal rulings.

## BM selling bakery machine side of Thomas Robinson

By Haig Simonian in Milan

SASIB, the Italian specialised engineering concern controlled by Mr Carlo De Benedetti's CIR holding company, is buying the bakery machinery division of the Thomas Robinson Group, the company recently acquired by the BM Group.

The sale involves Spooner Vicars and four other companies, all located near Manchester, along with activities in the US and two joint ventures in Japan and Brazil. The companies being purchased generate sales of £18.6m and employ about 250 staff. No price has

been disclosed.

Sasib, based in Bologna, has been growing rapidly in recent years through a string of acquisitions. It has expanded into new activities in railway signalling and food processing and packaging, which account for 60 per cent of turnover.

The group said the latest purchases marked a further step in its strategy to become a leading provider of equipment and services for the international baking industry.

After the purchases Sasib's bakery machinery side will have sales of more than £150m (£77m).

STATE LOAN OF THE KINGDOM OF HUNGARY  
7½% (Now 2.75 per cent) Sterling Bonds 1924

Notice is hereby given that a Drawing of Bonds of the above loan took place on 1st April 1992, attended by Mr Michael Jeremy Upsall, of the firm of Middletons & Upsall, Notary Public, when the following Bonds, which have been assented to the 1968 Offer, were drawn for redemption at 110% on 1st May 1992, from which date all interest thereon will cease:

9 BONDS OF £1,000 NOMINAL CAPITAL EACH  
Numbers: 50052 50101 50119 50201 50205 50268 50353 50658 50680

37 BONDS OF £500 NOMINAL CAPITAL EACH  
Numbers: 51011 51018 51056 51091 51171 51179 51217 51240 51291 51380 51559 51606 51615 51698 51728 51737 51765 51776 51833 51862 51911 51943 51957 51958 51993 52060 52073 52108 52201 52317 52327 52524 53041 53057 53223 53294 53303

319 BONDS OF £100 NOMINAL CAPITAL EACH  
Numbers: 54053 54057 54224 54235 54288 54352 54360 54361 54364 54375 54435 54467 54616 54628 54682 54754 54761 54824 54876 54930 54949 54954 54969 54983 55005 55019 55025 55027 55497 55513 55583 55678 55752 55789 55934 56319 56335 56431 56453 56497 56509 56600 56608 56729 56746 56791 56842 56846 56872 56889 57073 57096 57099 57113 57141 57157 57178 57307 57377 57438 57524 57596 57600 57649 57685 57747 58143 58217 58266 58310 58337 58339 58340 58410 58431 58758 58790 59332 59392 59465 59473 59541 59568 59573 59574 59601 59627 59672 59683 59688 59895 59909 59963 59971 59981 60003 60026 60071 60083 60097 60107 60121 60143 60179 60223 60356 60396 60456 60530 60543 60553 60562 60603 60630 60633 60637 60721 60774 60788 60798 60823 60952 60994 61101 61262 61529 61541 61548 61583 61672 61775 61819 61882 61910 61955 61975 62009 62043 62206 62217 62223 62301 62418 62907 62966 62976 63037 63056 63124 63135 63231 63320 63329 63392 63400 63405 63477 63487 63538 63587 63617 63618 63736 63768 63802 63803 63827 63829 63942 63990 64079 64082 64113 64117 64125 64133 64136 64171 64209 64264 64430 64497 64604 64603 64816 64895 64896 64900 64993 65010 65077 65087 65229 65254 65392 65449 65482 65504 65534 65703 65711 65726 65763 66164 66500 66552 66655 66695 66925 66956 67439 67501 67586 67634 67639 67820 68282 68354 68363 68499 68670 68730 68777 68817 68839 68935 68987 69289 69301 69348 69381 69404 69670 69735 69739 69760 69851 69853 69873 69974 69979 69983 69997 70023 70094 70226 70246 70260 70262 70272 70435 70514 70557 70662 70705 70785 70826 70903 70906 71318 71486 71505 71528 71530 71623 71700 71908 71917 71968 72017 72060 72072 72144 72153 72312 72354 72406 72452 72458 72535 72619 72685 72709 72716 72816 72818 72866 73230 73231 73235 73591 73597 73608 73613 73618 73638 73861 73974 73984 73987 74050 74112 74171 74252 74367 74397 74437 74439 74511 74520 74762 74778 74799 74903 75087 75111 75133 75136

365 Bonds amounting to £59,400 nominal capital.

Witness: Michael J. Upsall, Notary Public.

Each of the above bonds when presented at the office of Barclays Bank PLC for redemption must bear the coupon dated 1st May 1993, and all subsequent coupons, otherwise the amount of the missing coupons will be deducted from the principal to be repaid. Special listing forms can be obtained on application.

The usual interval of four clear days will be required for examination. NOTICE IS HEREBY GIVEN that the Coupons due 1st May 1992 from bonds of the above loan, which have been assented in London to the 1968 Offer, may now be lodged with Barclays Bank PLC, listed on the special forms which can be obtained on application.

The usual interval of four clear days will be required for examination.

BARCLAYS BANK PLC  
STOCK EXCHANGE SERVICES DEPARTMENT  
168 Fenchurch Street, London EC3P 3HP  
14th April 1992

BRITANNIA BUILDING SOCIETY  
£150,000,000  
Floating Rate Notes  
Due 1993

notwithstanding £25,000,000 Floating Rate Notes 1993 issued on 26 November 1985 and a further £25,000,000 Floating Rate Notes due 1993 issued on 26 July 1989 and a further £25,000,000 Floating Rate Notes due 1993 issued on 18th August 1989 consolidated and forming a single series of securities. In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 10th April 1992 to (but excluding) 10th July 1992 the Notes will carry a rate of interest of 10.475 per cent per annum. The relevant interest payment date will be 10th July 1992. The coupon amount per £25,000 Note will be £2,061.87 payable against surrender of Coupon No. 25.

Hambros Bank Limited  
Agent Bank

YORKSHIRE BUILDING SOCIETY  
Issue of up to  
£150,000,000  
Floating Rate Notes  
Due 1997

of which £20,000,000 was issued on 10th July 1990 as the initial tranche. In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 10th April 1992 to (but excluding) 10th July 1992 the Notes will carry a rate of interest of 10.475 per cent per annum. The relevant interest payment date will be 10th July 1992. The coupon amount per £25,000 Note will be £2,061.87 payable against surrender of Coupon No. 25.

Hambros Bank Limited  
Agent Bank

The Annual Report for 1991, including the balance-sheet at December 31, 1991, the profit and loss account, the Proposal of the Board of Directors for the appropriation of profit, the Auditors' Report, and the proposals for Agenda Item 4 (including proposed amendments to Article 4 and 4d of the Articles of Association) may be inspected by shareholders at the Registered Office of the Company\* with effect from Thursday, April 16, 1992. The Annual Report and the Proposals and Comments on Agenda Item 4 will be mailed to holders of registered shares.

Tickets of admission for those whose names appear in the register of shareholders as at Friday, March 27, 1992, are being sent today to the address registered by them for this purpose.

Holders of bearer shares may obtain their ticket of admission and voting papers against temporary surrender of their share documents not later than Wednesday, April 22, 1992, from their bank or directly from the Registered Office of the Company\*.

The resolutions proposed at Agenda Items 4.2 and 4.3 anticipate the new company law which obliges Swiss banks and also professional securities administrators to notify to the Company the number, type, par value and category of the shares they represent. Representatives of the above are requested to let the Company have these details as soon as possible, and in any event not later than at the time of passing through the entrance control on the day of the General Meeting.

By Article 11 of the Articles of Association, a shareholder may appoint as his proxy for a General Meeting only his lawful representative or another shareholder present in person at the Meeting, by completing the instrument of proxy on the reverse of the ticket of admission. A shareholder may also appoint the independent proxy named on the instrument of proxy.

By Article 4c of the Articles of Association, no person is entitled to votes representing more than 5 per cent of the total share capital in respect of the aggregate of shares which he holds plus shares in respect of which he holds a proxy.

After the General Meeting, the texts of the resolutions adopted may be inspected by the holders of participation certificates at the Registered Office of the Company\*.

For the Board of Directors of  
CIBA-GEIGY Limited

Alex Krauer, Chairman

\* Office of the Company Secretary, Klybeckstrasse 141, CH-4057 Basle



# Coffee prices tumble on pact disappointment

By David Blackwell

COFFEE PRICES tumbled in both London and New York yesterday as the markets registered their disappointment at last week's International Coffee Organisation meeting.

Lengthy squabbling over the make-up of the ICO negotiating group led only to an announcement that the council would meet again on June 22 to start discussions on a new international coffee agreement with economic clauses.

As one weary delegate said on Friday evening: "If it's taken us this long to agree on something as insignificant as this, how on earth are we going to agree on export quotas".

Much of the argument was over form, one delegate said yesterday. "There were no major breakthroughs. The awkward and sensitive issues have still to be addressed."

The July robusta contract on the London Futures and Options Exchange closed yesterday at \$828 a tonne, a fall of \$36. In late trading in New York the July arabica contract was more than 3 cents down at 68.10 cents a lb.

Observers pointed to remarks by Mr Arnoldo Lopez, chairman of the ICO Council, which effectively pushed the timetable for any economic measures to support the coffee markets back to September next year.

Many people in the market, particularly in New York, were convinced that last month's decision by Brazil, the world's biggest coffee exporter, to back a new coffee agreement would lead to something more concrete emerging from last week's meeting.

But Mr Lawrence Eagles, analysts with GNI, the London futures brokers, said yesterday that the markets now realised there was "a lot of time and a lot of coffee to be sold before the ICO can even contemplate approving a quota system".

This was not necessarily bad for the prospects of an agreement, however. "There is nothing like economic pain to force a new agreement," he said.

The abandonment of export quotas in July 1989 is thought to have cost Latin American coffee producers about \$6bn in lost revenues.

# Indonesian rubber output forecast to fall by 25%

INDUSTRY OFFICIALS expect Indonesian rubber output to fall by about 25 per cent in the first six months of 1992 as a result of low prices and natural disasters that have forced many producers out of business, reports Reuters from Jakarta.

"Unfair pricing in the world market, and tight money and natural causes at home made producers think the business is no longer lucrative. Lower output is inevitable," said Mr O.K. Cornel, chairman of Gapkindo, the Indonesian Rubber Association.

Of about 90 processing plants in the country, 20 are no longer active. The rest have reduced their working hours.

Indonesia, the world's second largest natural rubber producer, produced 1.28m tonnes last year.

Mr Cornel said first-half output by smallholders, who account for 80 per cent of production, would fall as much as 25 per cent. That of state plantations would probably drop no more than 10 per cent, however, because they had better facilities.

Haze from forest fires in the past few months had hampered

photosynthesis which in turn reduced rubber production, he said.

Output has also been hit in some areas by drought which lowered the level of rivers which smallholders use for soaking and transport.

Another Gapkindo official said many growers had given up land to developers for real estate and golf courses.

"There's nothing that can stop them from leaving, unless otherwise forced to. They need more cash to survive," he said.

Many processing plants are producing at only half capacity. Indonesia's two-year-old tight money policy has raised processing costs by up to 35 per cent and the recent rise in fuel prices added another 15 per cent.

"It is really a burden. Many more processors will cut production or shut down. Results in the second half are likely to be worse," the Gapkindo official said.

Traders said prices for Standard Indonesian Rubber 20, the country's main export, had risen by 5 to 7 cents to 84 cents a kilogram because of shortages in the past few weeks.

# Amax plans aluminium smelter in Iceland

By Kenneth Gooding, Mining Correspondent

AMAX, THIRD-LARGEST of the US aluminium producers, is determined to build a \$1bn, 210,000-tonne-a-year smelter in Iceland, said Mr Alan Born, chairman.

He said Amax would need the metal for its fabricating operations in Europe. At present the US group swaps primary aluminium with European producers who need metal in the States so that Amax can avoid paying the 6 per cent tariff levied by the European Community.

Mr Born said it was clear that the opportunity for metal swaps would become more limited as demand for aluminium grew in Europe but production capacity remained static.

Aluminium from the so-called Atlantic smelter would enter the EC free of tariff under present arrangements with Iceland.

The future of the Atlantic project has been in some doubt since last November when it was shelved because of low aluminium prices and because finance was not available on acceptable terms.

However, Mr Born told the Association of Mining Analysts in London: "The question is not if we will build the smelter but when we will build it." He suggested construction would start between 1995 and 1997, depending on market conditions.

Amax has a 40 per cent stake in the Atlantic consortium with Hoogovens Aluminium of the Netherlands and Granges, part of Sweden's Electrolux group, each owning 30 per cent.

Mr Born suggested conditions in the aluminium market would improve gradually but that there would be little room for improvement in prices until London Metal Exchange stocks were substantially reduced and "we have hard evidence that Russian metal exports are decreasing".

Unless the aluminium price increased by another 10 cents a lb fairly soon, more European capacity would have to close, he said.

Mr Born said consumption of aluminium by the automotive industry was increasing and conservative estimates suggested this would boost demand by 1m tonnes annual by the year 2000. That would require five new smelters.

Amax based its estimates on an assumption that the use of aluminium in the average north American car would increase from 180 lb to 240 lb.

# Brussels kills off slaughterhouse profits

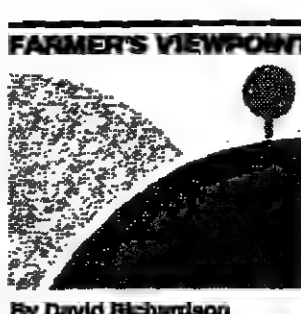
## Closures are multiplying as Britain's abattoir industry is forced to raise standards

A COUPLE of months ago, the local commission agent for a quality meat scheme came to our farm to see if we were interested in a premium price for the last of our 1991 lambs. He had heard that the 100 or so animals we had left from the previous season had been fed entirely on turnips and sugar beet tops through the winter, and that they had been given no concentrate feed. This meant, he told us, that provided they were of sufficient quality, they would qualify for a 6 per cent premium over average market price.

You don't get many offers like that in farming these days, so we were bound to take him seriously. Even so, we took the precaution of checking on the credit-worthiness of the eventual buyers and talking to a few farmers who had previously supplied them to ensure there had been no payment problems. All seemed well, and we agreed to sell the lambs at the said premium.

Two days later, the lorry arrived to collect the lambs, and off they went to the abattoir. Two days after that, it was announced on the BBC's early morning farming radio programme that the company which had taken them had called in the receiver.

Now, two months after that, we are still waiting to hear if we are likely to be paid anything for the lambs, and, if so, what proportion of their total



By David Richardson

value of close to \$4,000. I am not optimistic.

Because of the relatively modest amount of money involved, we are unlikely to be dragged down in the classic domino effect that characterises such business failures. But we were relatively lucky. Another Norfolk farmer stands to lose £72,000 from the same collapse, and yet another £200,000 from the bankruptcy of an even higher meat company that went under a few weeks later. I am not sure how they will cope.

It is estimated, in fact, that about 90 UK abattoirs have closed in the last 12 months, and, according to a new report by the Meat and Livestock Commission, a further 850 are likely to go out of business within the next two years. That implies that about half of the 700 or so abattoirs in operation at the moment will go. Only 12 years ago, this country had almost 1,500 abattoirs.

The slaughter industry is, in fact, squeezed between the costs of complying with European Community regulations and the reluctance, or more accurately, refusal, of the big wholesale buyers to pay more for meat. Moreover, 1992 is a crunch year, because, by January 1, 1993, all UK abattoirs must comply with the European Commission's Fresh Meat Directive, which requires that the standard of all slaughter facilities throughout the community be harmonised.

That is not to say, as the MLC report makes clear, that standards currently imposed in the UK are any danger to public health. Indeed, all abattoirs have had to be licensed, inspected and approved regularly by local authorities for many years. The EC now requires, however, that so-called "export standards" be met, even when the meat is for domestic consumption. It is the expense involved in bringing plants up to this level that is causing many of the closures.

In the past only a small proportion of the abattoirs in the UK were export-approved. This was because, historically, the UK had been an importer, rather than an exporter, of meat, and few abattoirs owners felt it worthwhile to spend the significant sums required to be otherwise. Now they have to do so or go out of business.

Indeed, some abattoir-owners have recently taken the necessary measures. They have brought their plants up to the required standard and, in many cases, have increased their capacity in order to justify the expenditure. This means they are now forced to buy additional prime stock to keep their slaughter lines running.

But in the meantime a shortage of supplies has occurred. Poor profitability last year led to a reduction in the pig-breeding herd. Then the dreaded blue-ear disease cut the numbers reaching maturity this year, both here in Britain and in other EC countries that normally export to the UK. The disease is still decimating herds in some regions, and now another, equally serious, flu-like virus, which can also be fatal to small pigs, is adding to farmers' and abattoir-owners' problems.

Inevitably, given the keen demand from expanded abattoirs, combined with the shortage of stock, the price of those pigs that are available has risen, much to the satisfaction, I might add, of farmers who have managed to stay free of disease. But the supermarkets, who are the main customers of many of the upgraded abattoirs, have declined to pay extra for their supplies on the grounds that this would force them to raise retail prices and risk provoking consumer resistance.

Similarly, although the export price of fresh English

lamb is still insufficient to provide a reasonable profit for sheep farmers, now that the EC variable premium has been abolished, supermarkets find that they can buy frozen New Zealand lamb much cheaper and are turning to these imports in increasing quantities in order, they say, to help the housewife economy.

The number of home-produced lambs has also fallen slightly this year in response to EC measures to restrict the size of flocks by limiting ewe headage payments to 500 head per farmer. All of which is bad news for the abattoir industry.

In the short term, at least, it is also bad news for farmers like me. For, although I accept that the rationalisation of the UK slaughter sector may be long overdue, it is now faced with the unpalatable possibility of not being paid for animals I have taken months or years to rear.

Indeed, I may well be forced to accept lower prices for those animals from abattoirs I know to be solvent, instead of trying to strike the best possible bargain. And, in case you were wondering, the cost of credit insurance against abattoir failure has become prohibitive, always assuming you can actually find someone willing to write it.

The Abattoir Industry in Great Britain. Price list from MLC, P.O. Box 44, Winterton House, Sharncliffe Drive, Milton Keynes MK5 1AX.

# Indian aluminium production outstrips demand

By Kunal Bose in Calcutta

THE INDIAN aluminium industry closed the 1991-92 season last month with unsold stocks of more than 50,000 tonnes, and the total would have been twice as high had the industry not exported more than 50,000 tonnes at a loss. According to Mr A.K. Agarwal, president of Hindalco Industries, India's largest private sector producer of aluminium, the unsold stocks are largely attributable to reduced demand from the cable and conductor manufacturers. The electrical sector accounts for nearly 45 per cent of the Indian aluminium consumption.

Demand for the metal from the other major sectors - transport, construction, packaging and domestic appliances - was sluggish because of the general recession in the economy. Domestic output of about 425,000 tonnes in 1991-92 fell short of the expected level by about 45,000 tonnes.

Indian aluminium consumption in 1990-91 was 460,000 tonnes.

HINDALCO INDUSTRIES, India's largest private sector producer of aluminium, has decided to build a 200,000-tonne-a-year smelter on a greenfield site, writes Kunal Bose. A 500,000-tonne-a-year alumina (aluminium oxide) plant is also to be set up to feed the proposed smelter. A decision on the location of the project will be taken once Hindalco has signed a lease agreement for mining bauxite (aluminium ore).

According to Mr A.K. Agarwal, Hindalco's president, the company is looking at bauxite reserves in Orissa, Andhra Pradesh and Madhya Pradesh. The cost of setting up the smelter and alumina plant will be about \$240m (\$270m).

In spite of the infrastructure bottleneck, the Indian industry produced 512,000 tonnes last year, beating its target of 500,000 tonnes and 1989-90's actual production of 449,528 tonnes. The installed capacity of the industry is 610,000 tonnes.

Mr Agarwal points out that demand growth has been deterred by the high duty on aluminium, which constitutes nearly 40 per cent of the final price of the metal, much

higher than is paid on other non-ferrous metals, like copper, zinc and lead, which are mostly imported. The Federal Ministry of Mines has backed the aluminium industry's plea for the duty to be reduced, but the Ministry of Finance has to agree. A strong case is also being made for lowering import duties on hard pitch and calcined petroleum coke, two important inputs for aluminium production.

Aluminium industry officials expect that following the launch on April 1 of the eighth five year plan, which lays considerable stress on the creation of new power generation capacity, there will be strong growth in demand for aluminium. The working group on the plan projected a 5 per cent annual growth in aluminium demand during the plan period.

Mr Agarwal believes that if the primary metal producers undertake market development work in earnest domestic alu-

minium demand could easily be raised to 1m tonnes by the end of the century. At present India per capita consumption of the metal, at 500 grams is one of the lowest in the world. It is only recently that the Indian authorities have come to appreciate the value of aluminium's recyclability. Being highly dependent on fuel imports, India is expected to encourage the use of this light metal in the transport sector. Mr Agarwal thinks that transport, packaging, automobile and construction sectors will provide the main surge in demand in the future. But, as there is not much new capacity in the pipeline, India will once again be a net importer of the metal in a few years' time. In 1987-88, India imported nearly 65,000 tonnes of aluminium. In the current year, however, it is planning to export 70,000 tonnes of primary metal and semi-fabricated products.

To be a successful exporter, India will have to improve the quality of "seeds" which will mean importing technology.

## MARKET REPORT

**ZINC AND ALUMINIUM** prices were unable to hang on to early gains on the LME. Zinc ran into profit taking and resistance when the three-month price neared \$1,300 a tonne. The early gains in aluminium followed news that Russia's government had offered to resign, prompting short covering, with traders concerned over possible disruptions to metal shipments. However, there was no follow-through buying. A rise of up to 4,000 tonnes is expected today in LME warehouse stocks. GOLD also lost early gains made on the London bullion market on the Russian news. But US selling had undermined support.

## London Markets

| SUGAR - London POX (\$ per tonne)   |        |          |               |
|---|--------|----------|---------------|
| Raw   | Close  | Previous | High/Low      |
| May   | 215.40 | 215.30   | 220.40 211.00 |
| Jun   | 209.00 | 208.40   | 213.30 206.00 |
| Jul   | 189.60 | 187.40   | 202.00 187.00 |
| Aug   | 192.00 | 194.00   | 197.00        |
| May   | 193.00 |          |               |
| White (\$ per tonne)  |        |          |               |
| May   | 275.20 | 274.00   | 278.00 270.00 |
| Jun   | 274.70 | 274.50   | 278.10 271.50 |
| Jul   | 274.70 | 274.50   | 278.10 271.50 |
| Aug   | 285.70 | 284.50   | 288.00 282.00 |
| May   | 286.70 | 285.50   | 287.90 284.50 |
| Jun   | 286.00 |          | 279.50 287.00 |
| Turnover: 8500 (w/e)  |        |          |               |
| White (\$ per tonne)  |        |          |               |
| May   | 18.86  | 18.09    | 19.25 18.80   |
| Jun   | 18.82  | 18.01    | 19.21 18.82   |
| Jul   | 18.74  | 18.91    | 19.10 18.74   |
| Aug   | 18.75  | 18.92    | 19.10 18.75   |
| May   | 18.72  | 18.75    | 18.97 18.72   |
| Jun   | 18.68  | 18.82    | 18.98 18.68   |
| Jul   | 18.68  | 18.86    | 18.98         |
| Turnover: 8500 (w/e)  |        |          |               |
| White (\$ per tonne)  |        |          |               |
| May   | 176.00 | 174.00   | 179.00 173.00 |
| Jun   | 175.50 | 173.25   | 178.50 174.50 |
| Jul   | 175.75 | 173.75   | 178.50 174.50 |
| Aug   | 177.50 | 175.25   | 178.50 174.50 |
| May   | 176.75 | 175.75   | 178.75 177.75 |
| Jun   | 180.50 | 179.00   | 181.00 180.00 |
| Jul   | 181.75 | 180.25   | 182.25 181.25 |
| Turnover: 10092 (15025) lots of 100 tonnes  |        |          |               |
| TREA  |        |          |               |
| There was very strong and widespread demand reports the Strong Brokers Association. Bright liquoring and most medium East African were a half to 10p dearer. Central African was also sold readily with gains of 2 to 5p. Ceylons were again well supported and improved quality sorts advanced by 5 to 10p. Ceylons strong demand in the c/c section with prices 2 to 10p dearer. Pab teas from Mauritius came to a more selective market. The highest prices realised this week were 190p for a (wanda) p.d. Ceylon; quality 170p nom. good medium 130p, medium 112p, low medium 80p. |        |          |               |

## COCOA - London POX (\$/tonne)

dealers said. The metal is expected to hold roughly between \$338 and \$343 a lb of the Easter holiday. On gold futures were weaker, as midsession after Chemical lowered its prime rate. L COCOA edged ahead after that the UK cocoa grind was per cent up in the first quarter at 39,831 tonnes. Last week analysts were forecasting of 8 per cent. "It's always to see a higher figure, but you see the amount of cocoa which has still to be sold in origin countries, it's a bear market," one trader said.

Compiled from Reuters

## COFFEE - London POX (\$/tonne)

| Rate   | Close  | Previous | High/Low |
|--|--------|----------|----------|
| May  | 215.40 | 213.20   | 220.40   |
| Jun  | 209.00 | 208.40   | 213.20   |
| Oct  | 189.80 | 187.40   | 202.20   |
| Mar  | 192.00 | 194.00   | 191.00   |
| May  |        | 193.00   |          |
| White  | Close  | Previous | High/Low |
| May  | 273.20 | 274.00   | 274.00   |
| Aug  | 274.70 | 274.90   | 278.10   |
| Oct  | 286.70 | 284.50   | 288.00   |
| Mar  | 295.70 | 265.80   | 267.90   |
| May  |        | 267.90   |          |
| Turnover: 896 658 (468) lots of 50 tonnes    |        |          |          |
| White (2000)                                 |        |          |          |
| Parity: White (Ffr per tonne) May 19 1571.50 |        |          |          |

| CRUDE OIL | Close | Previous | High/Low |
|-----------|-------|----------|----------|
| May       | 18.86 | 19.03    | 18.22    |
| Jun       | 19.82 | 19.01    | 19.27    |
| Jul       | 18.74 | 18.91    | 19.08    |
| Aug       | 18.75 | 18.92    | 19.10    |
| May       | 18.72 | 18.73    | 18.80    |
| Jun       | 18.60 | 18.82    | 18.90    |
| IPB Index | 16.90 | 16.90    | 16.90    |

## POTATOES - London POX (£/tonne)

|     | Close  | Previous | High/Low |
|-----|--------|----------|----------|
| May | 176.00 | 174.00   | 179.00   |
| Jun | 176.00 | 172.25   | 178.50   |
| Jul | 176.75 | 175.75   | 178.50   |
| Aug | 177.50 | 175.25   | 177.50   |
| Dec | 176.75 | 176.75   | 178.75   |
| Dec | 180.50 | 178.00   | 181.00   |
| Nov | 181.75 | 180.25   | 182.25   |

Turnover 10052 (15025) lots of 100 to 200

**TEA**

There was very strong and widespread demand reports the Tea Brokers Association. Bright liquoring and mild liquoring was the main demand. The market was very dearer. Central African teas also sold readily with gains of 2 to 5 p. Ceylon again well supported and improved on the previous day. The demand in the C of S section with prices 10 p dearer. FOB teas from Mauritius to a more selective market. The highest price reached this week was 530 p for Rwanda p.c. Quotations: quality 112 p medium 130p, medium 112p, 12p, medium 90p.

## BOYABANS 5,000 bu mtr; cents/50b bushel

|     |     |     |    |
|-----|-----|-----|----|
| May | 570 | 606 | 61 |
| Jun | 637 | 634 | 64 |
| Jul | 654 | 661 | 66 |
| Dec | 699 | 699 | 70 |
| Mar | 734 | 732 | 73 |
| May | 754 | 754 | 75 |
| Jul | 775 | 775 | 78 |
| Aug | 786 | 786 | 79 |

Turnover 2783 (4058) lots of 10  
ICMCO Indicator prices (50Rs per  
price for Apr 10 756.93 (782.55)  
for Apr. 15 763.15 (787.39)

| COFFEE - LOWLAND POE |       |          |          |
|----------------------|-------|----------|----------|
|                      | Close | Previous | High/Low |
| May                  | 807   | 846      | 825      |
| Jul                  | 828   | 954      | 960      |
| Sep                  | 847   | 882      | 890      |
| Mar                  | 890   | 899      | 899      |
| Jun                  | 888   | 888      | 888      |
| Mar                  | 907   | 935      | 910      |

## BOYABANS 60,000 bu mtr; cents/bu

|  |       |          |             |
|--|-------|----------|-------------|
| Apr 10: Comp. daily 55.95 (56.41)<br>55.42 (56.99) |       |          |             |
| <b>POTATOES - London FOC</b>                       |       |          |             |
|  | Close | Previous | High/Low    |
| May  | 117.5 | 118.5    | 117.5/118.5 |
| Apr  | 123.0 | 123.5    | 121.0/123.5 |
| Turnover 35 (138) lots of 20 tonnes                |       |          |             |
| <b>SOYABEAN - London FOC</b>                       |       |          |             |
|  | Close | Previous | High/Low    |
| Jun  |       | 119.00   |             |
| Turnover 0 (100) lots of 20 tonnes                 |       |          |             |
| <b>WHEAT - London FOC</b>                          |       |          |             |
|  | Close | Previous | High/Low    |
| Apr  | 100.1 | 116.2    | 120.0/116.2 |
| May  | 127.5 | 128.5    | 127.5/128.5 |

## BOYABANS 100 tonnes; \$/ton

| Turnover: 50 (247)   |        |          |          |
|--|--------|----------|----------|
| CHAWEN - London PDX  |        |          |          |
| Wheat  | Close  | Previous | High/Low |
| May  | 122.95 | 123.70   | 123.70   |
| Jun  | 124.48 | 125.45   | 125.45   |
| Nov  | 114.85 | 115.35   | 115.35   |
| Jan  | 116.05 |          | 116.05   |
| Mar  | 121.85 |          | 121.85   |
| Barley   | Close  | Previous | High/Low |
| Sep  | 105.40 |          | 105.40   |
| Turnover: Wheat 230 (54), Barley<br>Turnover lots of 100 Tons. |        |          |          |
| PGE2 - London PDX (Cash)                                       |        |          |          |
|  | Close  | Previous | High/Low |
| May  | 126.01 | 126.01   | 126.01   |
| Jun  | 117.01 | 116.51   | 117.01   |
| Turnover: 7 (14) lots of 3,250 kg                              |        |          |          |

## WORLD COMMODITIES PRICES

### COCAOA - London POX (\$/tonne)

|                               |           |
|-------------------------------|-----------|
|                               | Close     |
| Aluminium, 99.7% purity       |           |
| Cash                          | 1337-8    |
| 3 months                      | 1363      |
| Copper, Grade A (2 per tonne) |           |
| Cash                          | 1245-5.5  |
| 3 months                      | 1275-5    |
| Lead (2 per tonne)            |           |
| Cash                          | 501.5-2.8 |
| 3 months                      | 514-4.5   |
| Nickel (3 per tonne)          |           |
| Cash                          | 7325-58   |
| 3 months                      | 7425-60   |
| Zinc (5 per tonne)            |           |
| Cash                          | 2220-70   |
| 3 months                      | 2285-70   |
| Zinc, Spectral High Purity    |           |
| Cash                          | 1205-8    |
| 3 months                      | 1220-1    |
| LME, Closing bid price        |           |
| SPOT: 1,7632                  |           |

### COFFEE - London POX (\$/tonne)

| May coverage |          | LONDON BULLION Mt        |         |
|--------------|----------|--------------------------|---------|
|              |          | (Prices supplied by N M) |         |
|              |          | Gold (10m oz)            | S price |
|              | Exchange |                          |         |
|              | Close    | 340.85                   |         |
|              | Opening  | 341.20                   |         |
|              | High     | 342.00                   |         |
|              | Low      | 340.00                   |         |
|              | 11B.5    | 342.30                   |         |
|              | 10B.5    | 340.10                   |         |
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### POTATOES - London POX (£/tonne)

| Aluminium (80.7%)         |      |
|---------------------------|------|
| Garika price 5 tonnes May |      |
| Element                   | 1200 |
|                           | 1570 |
| Low                       | 3300 |
|                           | 1400 |
|                           | 8    |
| Copper (64.6%) A)         |      |
|                           | 2150 |
|                           | 88   |
|                           | 2050 |
|                           | 7    |
|                           | 3300 |
|                           | 5    |
| Cotton                    |      |
| May                       | 760  |
|                           | 57   |
| Jun                       | 800  |
|                           | 10   |
| Jul                       | 850  |
| Cocoa                     |      |
| May                       | 375  |
|                           | 36   |
| Jun                       | 600  |
|                           | 12   |
| Jul                       | 585  |
|                           | 1    |
| Copper Grade A)           |      |
| May                       | 1850 |
|                           | 1000 |
| Jun                       | 2000 |

### BOYABANS 5,000 bu mtr; cents/50b bushel

| 1997 (tonnes)       |             |           |
|---------------------|-------------|-----------|
| 1230-6              | 1337/1338.5 | 1336-6.8  |
| 1234-4              | 1347/1349   | 1351.6-8  |
| (tonne)             |             |           |
| 1282-3              | 1289/1295   | 1281.5-82 |
| 1282-1              | 1282/1279   | 1281.5-82 |
| 200.5-4.3           |             |           |
| 310.5-4.3           | 302.25      | 302-2.5   |
|                     | 317/313.56  | 314-4.5   |
| 7380-60             | 7382        | 7360-2    |
| 7455-78             | 7480/7425   | 7450-6    |
| 100 (100)           |             |           |
| 5800-6              | 5800/5820   | 5810-5    |
| 5890-5              |             |           |
| (\$ per tonne)      |             |           |
| 1265-5              | 1267/1308   | 1265-7    |
| 1267-8              | 1259/1286   | 1250-1    |
| 0 (0) lots of 1.750 |             |           |
| 0 months: 1.7       |             |           |

### BOYABANS 60,000 bu mtr; cents/bu

| New Year     |                 |
|--------------|-----------------|
| Roostsch(s)  | GOLD 100 Troy   |
| £ equivalent | Close           |
| 20           | Apr 330.2       |
| 10           | Jun 340.8       |
| 100.242      | Aug 342.5       |
| 100.000      | Oct 344.5       |
| 10           | Dec 346.3       |
| 6 months     | PLATINUM 500g   |
| 12 months    | Close           |
| US \$m equiv | Apr 345.2       |
| 20           | Jun 347.6       |
| 10           | Aug 351.5       |
| 100.242      | Oct 351.5       |
| 100.000      | Dec 351.5       |
| 10           | SILVER 5,000 kg |
| 6 months     | Close           |
| 12 months    | May 402.3       |
| US \$m equiv | Jun 410.8       |
| 20           | Aug 412.4       |
| 10           | Sep 416.7       |
| 100.242      | Dec 420.7       |
| 100.000      |                 |
| 10           |                 |

### BOYABANS 100 tonnes; \$/ton

| Put |     |     |     | Call |     |     |     |
|-----|-----|-----|-----|------|-----|-----|-----|
| Jul | Jun | May | Jul | Jul  | Jun | May | Jul |
| 159 | 3   | 7   | 14  | 159  | 3   | 7   | 14  |
| 21  | 57  | 61  | 72  | 21   | 57  | 61  | 72  |
| Put |     |     |     | Call |     |     |     |
| Jul | Jun | May | Jul | Jul  | Jun | May | Jul |
| 15  | 44  | 49  | 68  | 15   | 44  | 49  | 68  |
| 3   | 136 | 132 | 147 | 3    | 136 | 132 | 147 |
| Put |     |     |     | Call |     |     |     |
| Jul | Jun | May | Jul | Jul  | Jun | May | Jul |
| 65  | 3   | 7   | 7   | 65   | 3   | 7   | 7   |
| 24  | 64  | 68  | 21  | 24   | 64  | 68  | 21  |
| Put |     |     |     | Call |     |     |     |
| Jul | Jun | May | Jul | Jul  | Jun | May | Jul |
| 16  | 5   | 4   | 4   | 16   | 5   | 4   | 4   |
| 41  | 16  | 19  | 19  | 41   | 16  | 19  | 19  |
| Put |     |     |     | Call |     |     |     |
| Jul | Jun | May | Jul | Jul  | Jun | May | Jul |
| 45  | 19  | 19  | 19  | 45   | 19  | 19  | 19  |
| 45  | 19  | 19  | 19  | 45   | 19  | 19  | 19  |

| Close |       |       |       |
|-------|-------|-------|-------|
| Apr   | May   | Jun   | Jul   |
| 95.20 | 99.25 | 99.25 | 99.25 |
| 95.20 | 99.25 | 99.25 | 99.25 |
| 95.20 | 99.25 | 99.25 | 99.25 |
| 95.20 | 99.25 | 99.25 | 99.25 |
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| 95.20 | 99.25 | 99.25 | 99.25 |
| 95.20 | 99.25 | 99.25 | 99.25 |
| 95.20 | 99.25 |       |       |

### HEATING OIL 42,000 US gals; cents/US gals

|                                  |                    |     |
|----------------------------------|--------------------|-----|
| 1204-5                           | 160,271 lots       | May |
| Total daily turnover 30,708 lots |                    | Jun |
| 1227-8                           | 104,736 lots       | Jul |
| Total daily turnover 4,517 lots  |                    | Aug |
| 13123-5                          | 17,361 lots        | Sep |
| Total daily turnover 6,759 lots  |                    | Oct |
| 1426-0                           | 15,631 lots        | Nov |
| Total daily turnover 3,230 lots  |                    | Dec |
| 50-0-5                           | 6,781 lots         |     |
| Total daily turnover 10,405 lots |                    |     |
| 1200-1                           | \$5,000 lots       |     |
| 5                                | \$ 0.000000 1.0000 |     |

### COCAOA 10 tonnes; \$/tonne

| Close | Previous | High/Low |
|-------|----------|----------|
| May   | 810      | 808      |
| Jun   | 837      | 834      |



## Equities maintain upward momentum

By Steve Thompson

A FEELING of anti-climax pervaded London's equity market yesterday, but there was still sufficient buying interest from local and overseas investors to produce another session of good gains across the board.

Worries about political developments in Russia, plus a fresh slide in the Tokyo market overnight combined to take the edge off the market, as did the sight of wreckage resulting from the terrorist bomb in the City on Friday evening.

Dealers were wary of the market at the outset, concerned about Tokyo's 500-point plus decline, and the possibility that the huge jump in share prices last Friday after the Tory election victory could

attract a bout of profit-taking. Markets opened on a high note, with the FT-SE 100 rising 10.5 points to 2,591.8, the highest level since the day's best level of 2,606.5, or 83.9 higher, within an hour or so of the start of business.

Thereafter, the market traded in a narrow range, with intermittent bouts of profit-taking followed by flurries of keen buying interest.

The FTSE 100 share index provided a measure of support for cash, holding a good premium to the underlying market throughout the trading session.

At the close, the FT-SE 100

share index was 18.4 higher at 2,591.8. Turnover of 628.3m shares, although sharply higher than average, fell well short of Friday's 1,245.4m, itself way ahead of any single trading session for many months.

Statistics published by the Stock Exchange show that the value of customer business transacted on Friday hit a massive £2.56bn, having failed to reach £1bn on any of the previ-

ous four trading sessions last week.

Damage wrought by Friday's bomb in the City was the latest disaster to affect composite insurers although specialists said the impact would be cushioned by reinsurance.

Midland Bank spurred ahead on rumours that merger talks in the region of 43p a share would be announced mid-week. Allied Breweries was one of the Footsie's biggest casualties after Sir Gordon Borrie, director-general of the Office of Fair Trading, criticised long-term supply agreements between national brewers and pub retailing companies.

Shares in the construction and building materials sectors were supported ahead of a

busy week of company news, including figures from industry leaders such as Taylor Woodrow, RMC and Tarmac.

Strategists continue to adopt a positive stance on the UK market in the wake of the Tories' general election victory.

The Global Strategy team at US investment bank Morgan Stanley has increased the UK equities weighting of its European Model Portfolio from 8.5 per cent to 14 per cent at the expense of its German portfolio which now comprises 26 per cent, down from 32.5 per cent.

"The voters' verdict has made the UK one of the best disinflationary stories in Europe; it bolsters the long term prospects for equities and bonds," said Morgan Stanley.

## Insurance stocks fall

INSURANCE stocks fell in the wake of Friday night's IRA bomb attack in the City as financial analysts struggled to put a figure on the value of the blast damage. Estimates varied wildly but there appeared to be some consensus of as much as £1bn.

Commercial Union lost 4 to 45p. The company will be affected not only by the disruption to its business but also because it owns 20 per cent of its headquarters, which were rendered unusable by the explosion. Sun Alliance, cushioned by reinsurance but still estimated by one analyst to be in line for a £40m hit from the attack, fell 4 to 26p and even General Accident, whose exposure will be limited because of its concentration on personal clients, lost 5 to 43p.

Mr Richard Wynne-Griffith of BZW's insurance team said: "This is another blow to already weakened balance sheets and unlike a hurricane it is not necessarily a one-off incident."

## Midland advance

The London market picked up rumours sweeping Hong

Kong that a 400p share bid for Midland would be launched on Wednesday and the UK clearing bank's shares jumped 16 to 37p with a hefty 10m shares traded.

Observers said that Hongkong & Shanghai bank's parent company, which proposed an agreed takeover a month ago, was prepared to make an all-paper bid valued at around 430p. There is a belief that Hongkong wants to undermine an anticipated attempt by Lloyds Bank to make a rival offer.

County NatWest was highlighting to clients yesterday the logic of a rival bid from Lloyds, which eased a penny to 35p after being 8 off at one stage.

## Allied-Lyons weak

Comments by Sir Gordon Borrie, director general of the Office of Fair Trading, hit Allied-Lyons particularly hard, as he questioned some of the long-term supply agreements between national brewers and the pub-owning group.

Sir Gordon told the AGM of Camra, the real ale lobby group, that long-term supply agreements between brewers and pub retailing companies were becoming an alternative to, and the agreement between Foster's, brewer of Courage in the UK, and Grand Metropolitan should not be seen as a precedent for seven-year supply agreements.

Analysis said these remarks

appeared to be specifically aimed at the Allied-Lyons deal under which it has kept a 60 per cent beer supply agreement in pubs owned by Brent Walker. Allied shares fell 12 to 61p.

Whitbread "A" lost 6 to 42p in sympathy. Whitbread is believed to be less advanced than Bass in meeting the Monopolies and Mergers Commission ruling on brewing ties. Bass gained 12 to 60p.

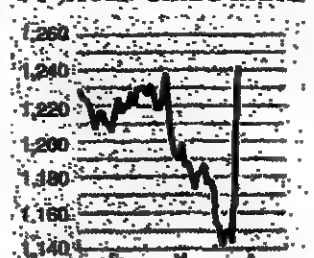
Construction group John Mowlem rose 13 to 148p despite a crash in 1991 profits to £3m from £34m. The market was looking for around £10m, but the shares were marked higher after Mowlem said it was withdrawing completely from commercial property development activities.

Higgs & Hill, with results due tomorrow, gained 8 to 5p in sympathy, while building materials company Redland climbed 14 to 53p on hopes of an early end to the recession and speculation about lower interest rates.

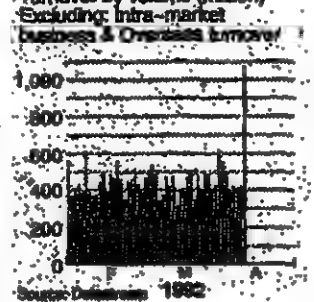
Worries about Barclays' exposure to Olympia & York's financial problems on the day that the Canadian property group was expected to try and persuade its lenders to reschedule more than £20m worth of debts prompted the shares to drop 12 to 81p, the biggest percentage fall of any of the FT-SE 100 companies yesterday.

Turnover in Scottish Power, was a very active 18m shares, with the price rising 2 to 98p. Scot Hydro gained 2 to 100p.

## FT-SE All-Share Index



Equity Shares Traded (turnover by volume in million) Excluding intra-market business & overseas turnover



taking the shares up 22p since the election result and back to their partly paid flotation price of £30 to £30.10.

Turnover in Rolls-Royce surged to 8.8m and the shares initially jumped 7 after it was reported that Hong Kong airline Cathay Pacific was about to place a £300m order.

The shares closed 3 up at 170p.

Transatlantic moved 7 forward to 13p, after its J. Brown subsidiary won a

## 250m power station contract

Turnover in Queens Motor Homes reached 10m, as the shares fell 2 to 80p. Dealers believe that close examination of the sector after Friday's buying spree revealed the company's earnings recovery to be lower than that of its rivals.

BT put on 6 to 341 in high turnover of £2m, as investors continued to buy stock in anticipation of "better times", now that the threat of a Labour government and greater regulation has faded. Reassurance about the company's prospects and outlook following the series of analysts' visits lifted Cable & Wireless 13 to 56p. US buying continued to lift Vodafone Group. The shares gained 7 to 35p.

Kidder Peabody Rumour of the US reiterated its buy recommendation on the stock.

Defensive chemicals companies lost ground in the wake of the general election. BOC and Allied Colloids, which are both big dollar earners, fell 13 to 68p and 7 to 20p respectively.

Thames Television improved 7 to 18p after an announcement that it was jointly planning the development of a new satellite television programme service with BBC Enterprises.

## MARKET REPORTERS

Peter John, Joel Kibazo, Colin Milliken.

Other market statistics. Page 24.

## NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (1992)

BRITISH FUNDS (1992)

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

LEGAL NOTICES

LEGAL NOTICES

LEGAL NOTICES

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## FT-SE 100 SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd

In conjunction with the Institute of Actuaries and the Faculty of Actuaries

Monday April 13 1992

Figures in parentheses show number of stocks per section

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## BRITISH FUNDS

BRITISH FUNDS - Cont.

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OTHER FIXED INTEREST

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## FINANCIAL TIMES STOCK INDICES

|                                       | Apr 13             | Apr 10            | Apr 9   | Apr 8   | Apr 7   | Year Ago | 1002    | Low     | Same Comp |
|---------------------------------------|--------------------|-------------------|---------|---------|---------|----------|---------|---------|-----------|
|                                       | High               | High              | High    | High    | High    | High     | High    | High    | High      |
| Government Secs                       | 88.51              | 88.18             | 86.00   | 85.61   | 85.37   | 86.17    | 86.81   | 85.11   | 127.40    |
|                                       | (134)              | (134)             | (134)   | (134)   | (134)   | (134)    | (134)   | (134)   | (134)     |
| Fixed Interest                        | 102.34             | 101.76            | 99.44   | 99.11   | 98.85   | 94.75    | 102.34  | 97.15   | 105.40    |
|                                       | (134)              | (134)             | (134)   | (134)   | (134)   | (134)    | (134)   | (134)   | (134)     |
| Ordinary Shares                       | 2805.5             | 2801.1            | 1885.7  | 1854.7  | 1862.5  | 2003.8   | 2805.8  | 1951.4  | 2108.3    |
|                                       | (2804)             | (2804)            | (2804)  | (2804)  | (2804)  | (2804)   | (2804)  | (2804)  | (2804)    |
| Gold Minors                           | 115.7              | 114.3             | 112.3   | 111.6   | 110.9   | 140.0    | 100.8   | 81.5    | 73.47     |
|                                       | (101)              | (101)             | (101)   | (101)   | (101)   | (101)    | (101)   | (101)   | (101)     |
| FT-SE 100 Share                       | 2591.0             | 2572.6            | 2438.4  | 2390.3  | 2404.2  | 2542.8   | 2591.0  | 2382.7  | 2679.6    |
|                                       | (134)              | (134)             | (134)   | (134)   | (134)   | (134)    | (134)   | (134)   | (134)     |
| FT-SE Euro Stoxx 500                  | 1167.54            | 1167.54           | 1146.42 | 1145.47 | 1154.11 | 1175.28  | 1167.54 | 1167.54 | 1167.54   |
|                                       | (134)              | (134)             | (134)   | (134)   | (134)   | (134)    | (134)   | (134)   | (134)     |
| % Div. Div. Yield                     | 4.49               | 4.49              | 4.74    | 4.80    | 4.77    | 4.83     | 4.49    | 4.49    | 4.49      |
| % Earning Yld Ret                     | 6.54               | 6.55              | 6.51    | 7.00    | 6.96    | 8.00     | 6.54    | 6.54    | 6.54      |
| % Div. Ret                            | 10.16              | 10.16             | 10.16   | 10.16   | 10.16   | 10.16    | 10.16   | 10.16   | 10.16     |
| SEAD Shares 5.00p                     | 40.531             | 94.444            | 26.423  | 24.941  | 23.125  | 31.604   | 40.531  | 40.531  | 40.531    |
| Equity Turnover(201)                  | 2.5814             | 87.878            | 82.23   | 98.87   | 77.84   | 80.86    | 2.5814  | 2.5814  | 2.5814    |
| Equity Beta(1)                        | 1.0775             | 29.542            | 27.896  | 37.896  | 32.122  | 32.122   | 1.0775  | 1.0775  | 1.0775    |
| Shareholder Yield(201)                | 1.0775             | 29.542            | 27.896  | 37.896  | 32.122  | 32.122   | 1.0775  | 1.0775  | 1.0775    |
| Ordinary Shares Index, Hourly changes | Day's High 3022.0  | Day's Low 1890.3  |         |         |         |          |         |         |           |
| Open                                  | 9 am               | 10 am             | 11 am   | 12 pm   | 1 pm    | 2 pm     | 3 pm    | 4 pm    | 5 pm      |
| 1999-2001                             | 2016.1             | 2017.1            | 2005.4  | 2005.4  | 2005.7  | 2004.5   | 2004.7  | 2004.7  | 2004.7    |
| FT-SE 100, Hourly changes             | Day's High 2606.5  | Day's Low 2570.8  |         |         |         |          |         |         |           |
| Open                                  | 9 am               | 10 am             | 11 am   | 12 pm   | 1 pm    | 2 pm     | 3 pm    | 4 pm    | 5 pm      |
| 2570.8                                | 2586.0             | 2600.5            | 2591.3  | 2593.5  | 2590.1  | 2588.4   | 2588.4  | 2581.4  | 2581.4    |
| FT-SE Euro Stoxx 500, Hourly changes  | Day's High 1199.82 | Day's Low 1182.45 |         |         |         |          |         |         |           |
| Open                                  | 9 am               | 10 am             | 11 am   | 12 pm   | 1 pm    | 2 pm     | 3 pm    | 4 pm    | 5 pm      |
| 1182.45                               | 1182.45            | 1182.45           | 1182.45 | 1182.45 | 1182.45 | 1182.45  | 1182.45 | 1182.45 | 1182.45   |

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Pound forges ahead vs D-Mark

STERLING dealt a double blow to the remaining UK bears yesterday as it pulled itself off the floor of the exchange rate mechanism and rose to a five-month high against the D-Mark, writes Peggy Hollinger.

The UK currency made the day in London at DM2.9150, three pence higher than Friday's close. Traders said the strong performance was due both to post-election euphoria, and the problems assailing the D-Mark. Most dealers expected the pound to start testing DM2.95 in the short-term.

Sterling's inherent strength was likely to continue, according to Dr Mark Austin, economist with Hongkong Bank. "Compared with the rest of Europe there is the combination of political stability and an economy which looks as if it might rebound quite sharply in the short-term," he said.

This outlook would encourage the fund managers who, until now, had deliberately kept themselves light of sterling due to political uncertainty since the beginning of the year. Within the European Monetary System, sterling traded places with the Danish Kroner to finish the day at 22 per cent of its permitted swing below the central rate.

## E IN NEW YORK

STERLING INDEX

| Apr 13    | Close         | Previous      |
|-----------|---------------|---------------|
| 5 spot    | 1.7620-1.7627 | 1.7620-1.7640 |
| 1 month   | 0.96-0.96     | 0.96-0.96     |
| 3 months  | 0.96-0.96     | 0.96-0.96     |
| 6 months  | 0.96-0.96     | 0.96-0.96     |
| 12 months | 0.96-0.96     | 0.96-0.96     |

Forward premiums and discounts apply to the US dollar

## CURRENCY MOVEMENTS

| Apr 13            | Rate of Exchange | Change  |
|-------------------|------------------|---------|
| US dollar         | 1.7620-1.7627    | +0.0003 |
| 13 dollar         | 0.96-0.96        | -0.0001 |
| Canadian dollar   | 0.71-0.71        | -0.0001 |
| Australian dollar | 0.71-0.71        | -0.0001 |
| Swiss franc       | 1.16-1.16        | -0.0001 |
| Japanese yen      | 108.8-108.8      | -0.0001 |
| D-Mark            | 2.9150-2.9150    | +0.0001 |
| French franc      | 111.3-111.3      | -0.0001 |
| Italian lira      | 2036-2036        | -0.0001 |
| Spanish peseta    | 166.6-166.6      | -0.0001 |
| Portuguese escudo | 200.4-200.4      | -0.0001 |
| Belgian franc     | 33.3-33.3        | -0.0001 |
| Dutch guilder     | 3.6-3.6          | -0.0001 |
| Irish pound       | 7.8-7.8          | -0.0001 |
| Scottish pound    | 16.0-16.0        | -0.0001 |
| Yen               | 108.8-108.8      | -0.0001 |
| Pound             | 1.7620-1.7627    | +0.0003 |

## CURRENCY RATES

| Apr 13            | Rate of Exchange | Change  |
|-------------------|------------------|---------|
| US dollar         | 1.7620-1.7627    | +0.0003 |
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## OTHER CURRENCIES

| Apr 13            | Rate of Exchange | Change  |
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## MONEY MARKETS

## Rate rumours revive

SPECULATION of an interest rate cut raised its head in the early hours of yesterday's trade, prompted by sterling's strong gains on the foreign exchanges. However, most traders felt a cut was unlikely within the next few weeks.

Overnight rates fell as low as 7 1/4 per cent, with money available in sufficient quantities throughout the day. However, the future market seemed uncertain about a rate cut, and had "no real direction" according to one trader.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

## MONEY MARKETS

## Rate rumours revive

Community this summer. The Bank of England seemed to fuel the rate cut speculation, however, as it took early action to eliminate record shortages. The Bank initially forecast a squeeze of £2.35bn and stepped in with assistance of £2.35bn before lunch. The biggest drain came from bills totalling £1.2bn due for repurchase by the market. Exchange transactions called for a further £800m, treasury bills and maturing assistance £559m, and bankers balances below target £230m. A £510m fall in note circulation eased some of the pressure on liquidity.

The bulk of the Bank's morning trade was comprised of a £1.6bn repo agreement falling due on May 1 at 10 1/4 per cent. A further £500m repo, falling due on May 13, was pitched at 10 1/4 per cent. Other purchases were in bands one, three and four bills at rates of 10 1/4, 10 1/2, and 10 3/4 per cent.

In the afternoon the shortage was revised to a record high of £2.75bn. The Bank purchased bands one and two bills totalling £461m at 10 1/4 per cent, and offered late assistance of £40m.

In Germany, call rates firmed from 9.60/65 per cent to 9.70/75 per cent. In the US, Federal funds traded at 3 1/4 per cent, just below the new presumed target of 3 1/2 per cent.

## MONEY MARKETS

## Rate rumours revive

Many speculated that the UK would move to cut base rates, and join the narrow band of the ERM, when it assumes the presidency of the European

## FINANCIAL FUTURES AND OPTIONS

## LONDON (LIF) &amp; CHICAGO

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## MONEY MARKET FUNDS

## Money Market Trust Funds

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## Money Market Bank Accounts

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| Portuguese escudo | 200.4-200.4      | -0.0001 |
| Belgian franc     | 33.3-33.3        | -0.0001 |
| Dutch guilder     | 3.6-3.6          | -0.0001 |
| Irish pound       | 7.8-7.8          | -0.0001 |
| Scottish pound    | 16.0-16.0        | -0.0001 |
| Yen               | 108.8-108.8      | -0.0001 |
| Pound             | 1.7620-1.7627    | +0.0003 |

## Money Market Bank Accounts

| Apr 13            | Rate of Exchange | Change  |
|-------------------|------------------|---------|
| US dollar         | 1.7620-1.7627    | +0.0003 |
| 13 dollar         | 0.96-0.96        | -0.0001 |
| Canadian dollar   | 0.71-0.71        | -0.0001 |
| Australian dollar | 0.71-0.71        | -0.0001 |
| Swiss franc       | 1.16-1.16        | -0.0001 |
| Japanese yen      | 108.8-108.8      | -0.0001 |
| D-Mark            | 2.9150-2.9150    | +0.0001 |
| French franc      | 111.3-111.3      | -0.0001 |
| Italian lira      | 2036-2036        | -0.0001 |
| Spanish peseta    | 166.6-166.6      | -0.0001 |
| Portuguese escudo | 200.4-200.4      | -0.0001 |
| Belgian franc     | 33.3-33.3        | -0.0001 |
| Dutch guilder     | 3.6-3.6          | -0.0001 |
| Irish pound       | 7.8-7.8          | -0.0001 |
| Scottish pound    | 16.0-16.0        | -0.0001 |
| Yen               | 108.8-108.8      | -0.0001 |
| Pound             | 1.7620-1.7627    | +0.0003 |

## Money Market Bank Accounts

| Apr 13            | Rate of Exchange | Change  |
|-------------------|------------------|---------|
| US dollar         | 1.7620-1.7627    | +0.0003 |
| 13 dollar         | 0.96-0.96        | -0.0001 |
| Canadian dollar   | 0.71-0.71        | -0.0001 |
| Australian dollar | 0.71-0.71        | -0.0001 |
| Swiss franc       | 1.16-1.16        | -0.0001 |
| Japanese yen      | 108.8-108.8      | -0.0001 |
| D-Mark            | 2.9150-2.9150    | +0.0001 |
| French franc      | 111.3-111.3      | -0.0001 |
| Italian lira      | 2036-2036        | -0.0001 |
| Spanish peseta    | 166.6-166.6      | -0.0001 |
| Portuguese escudo | 200.4-200.4      | -0.0001 |
| Belgian franc     | 33.3-33.3        | -0.0001 |
| Dutch guilder     | 3.6-3.6          | -0.0001 |
| Irish pound       | 7.8-7.8          | -0.0001 |
| Scottish pound    | 16.0-16.0        | -0.0001 |
| Yen               | 108.8-108.8      | -0.0001 |
| Pound             | 1.7620-1.7627    | +0.0003 |

## Money Market Bank Accounts

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| US dollar         | 1.7620-1.7627    | +0.0003   |
| 13 dollar         | 0.96-0.96        | -0.0001   |
| Canadian dollar   | 0.71-0.71        | -0.0001   |
| Australian dollar | 0.71-0.71        | -0.0001   |
| Swiss franc       | 1.16-1.16        | -0.0001</ |



Φ Φ 37

CANADA

| Index                                | Stock   | High   | Low    | Close  | Chng  | Index | Stock  | High   | Low    | Close  | Chng | Index | Stock  | High   | Low    | Close  | Chng |
|--------------------------------------|---------|--------|--------|--------|-------|-------|--------|--------|--------|--------|------|-------|--------|--------|--------|--------|------|
| TORONTO                              |         |        |        |        |       |       |        |        |        |        |      |       |        |        |        |        |      |
| 4:00 pm prices April 13              |         |        |        |        |       |       |        |        |        |        |      |       |        |        |        |        |      |
| Quotations in cents unless marked \$ |         |        |        |        |       |       |        |        |        |        |      |       |        |        |        |        |      |
| 46000                                | Alcan   | 57 1/2 | 57 1/4 | 57 1/2 | + 1/4 | 10000 | Ryft   | 85 1/4 | 85 1/4 | 85 1/4 | 0    | 10000 | Ryft   | 85 1/4 | 85 1/4 | 85 1/4 | 0    |
| 14700                                | Agropur | 400    | 400    | 400    | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 9400                                 | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 6000                                 | Alcoa   | 57 1/2 | 57 1/4 | 57 1/2 | + 1/4 | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 71000                                | Alcoa   | 57 1/2 | 57 1/4 | 57 1/2 | + 1/4 | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 370000                               | Alcan   | 57 1/2 | 57 1/4 | 57 1/2 | + 1/4 | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 120000                               | Alcan   | 57 1/2 | 57 1/4 | 57 1/2 | + 1/4 | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 800                                  | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 44000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 50000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     | 56     | 0    | 20000 | Lawson | 56     | 56     | 56     | 0    |
| 10000                                | Alco    | 94 1/2 | 94 1/2 | 94 1/2 | 0     | 20000 | Lawson | 56     | 56     |        |      |       |        |        |        |        |      |

**FINANCIAL TIMES**  
EUROPE'S BUSINESS & FINANCE NEWSPAPER



4:00 pm prices April 13

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page



**NASDAQ NATIONAL MARKET**

Last Day  
 27<sup>th</sup> - 1<sup>st</sup>  
 51

# 2

[illegible]

Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses was significantly higher for the 10 trials condition than for the 5 trials condition. Error bars represent the standard error of the mean.



AMERICA

# Dow ahead as Chemical cuts its prime rate

Wall Street

AFTER last week's dramatic fluctuations, business on US stock markets was relatively subdued yesterday, with the main indices posting modest gains in very light trading, writes Patrick Harrington in New York.

At the close the Dow Jones Industrial Average was up 14.53 at 3,269.90, its high for the day. The more broadly-based Standard & Poor's 500 finished up 1.82 at 406.09, while the Nasdaq composite of over-the-counter stocks firmed 3.91 to 588.15. Turnover on the NYSE was extremely low at 143m shares.

Concern about political turmoil in Russia, where the government submitted its resignation yesterday, surprised at Chemical Bank's decision to lower its prime lending rate from 6.5 per cent to 6.25 per cent, and a string of first-quarter earnings reports pulled market sentiment in different directions during the morning session.

Trading was also conducted against the background of last week's unexpected easing of monetary policy by the Federal Reserve, which in just two days added 90 points to the Dow. Those gains were sustained yesterday by hopes that the Fed will soon ease again to inject life into the economy.

Among individual stocks, Goodyear jumped 2 1/4 to 70 1/4 after the group's chairman, Mr Stanley Gault, told shareholders that sales during the first quarter would be around \$2.7bn, the highest in the company's history for the first three months of a year. Net income for the period would come in between \$60m and \$85m, a substantial improvement on the \$80m loss incurred at the same stage a year ago.

Ford firmed 5 1/4 to 40 1/4 in active trading after the car manufacturer announced plans to invest almost \$3bn in North

America over the next three years to design and build a new mini van, develop new engines for future light-duty trucks and expand an existing assembly plant for production of F-series trucks.

Among mostly firmer or steady bank stocks, Chemical eased 5/8 to 31 1/2 after the group unexpectedly cut its prime lending rate. The big banks usually change their rates simultaneously. Yesterday's rate cut by Chemical suggests that it expects further easing from the Fed and that it is trying to get a head start on its main rivals by offering cheaper funds to customers.

JF Morgan eased 1/8 to 84 1/2 despite reporting a 10 per cent increase in first quarter profits to \$399m. The lack of reaction was due to discounting - the market had already bid the stock up in anticipation of strong earnings.

There was a stronger reaction to record first quarter profits at Primerica, which owns the securities house, Smith Barney. The stock rose 3/4 to 39 1/4 in active trading.

Canada

TORONTO share prices ended slightly higher in light dealings. Based on preliminary data, the composite index rose 13.19 points, or 0.39 per cent, to 3,389.83. Volume was 19.5m shares against 23.8m shares on Friday and trading value was \$1.764bn against \$2.608bn.

The metals and mining sub-group posted a 3.31 per cent gain on index. Financial services were up 1.18 per cent. Golds were up moderately.

SOUTH AFRICA

JOHANNESBURG closing indices were unavailable. At midday, the overall index was down 8 at 3,389 and the industrial index 18 lower at 4,202, depressed by the firmer financial rand and the sharp drop in Tokyo.

EUROPE

# Russian cabinet resignation unsettles bourses

NEWS that the Russian government had offered its resignation to President Boris Yeltsin unsettled bourses yesterday, writes Our Markets Staff.

FRANKFURT began the session quietly, unperturbed by the overnight fall in Tokyo. The only element to excite dealers in early trading was press speculation that Daimler-Benz planned to increase its 1991 dividend. The group declined to comment, saying that a decision would be made later this month. The DAX index closed down 8.33 at 1,777.74 while the FAZ index, calculated at mid-session, rose 0.16 to 706.63. Turnover fell to DM4.8bn from DM6.2bn.

Analysts said that Daimler was likely to increase its dividend, in the region of DM1 to DM1.3, but that this would be coupled with a rights issue. Daimler climbed to an intraday high of DM785.50 before the news from Russia sent the market broadly lower. Its shares closed just DM1.20 higher at DM779.20.

Other leading stocks affected by the Russian developments included Deutsche Bank which has one of the biggest exposures to debt from the former Soviet Union. It closed down DM6.50 at DM709.60. Siemens was DM4.2 lower at DM679.60. Schering declined DM8.20 to DM800 and Volkswagen was off DM5.3 at DM369.

PARIS fell back, the CAC-40 index losing 10.79 to 1,983.37 in light turnover of FF1.63bn.

Euro Disney fell FF1 to FF239.80 in active trading of 775,560 shares after the opening of the theme park was hindered by a rail strike. A block of 100,000 shares was put through the market but the identity of the parties involved

FT-SE Eurotrack 100 - Apr 13

| Hourly changes     |         |         |         |                   |         |         |         |
|--------------------|---------|---------|---------|-------------------|---------|---------|---------|
| Open               | 10 am   | 11 am   | 12 pm   | 1 pm              | 2 pm    | 3 pm    | close   |
| 1156.54            | 1157.00 | 1156.33 | 1153.19 | 1153.13           | 1152.12 | 1152.81 | 1153.23 |
| Day's High 1157.99 |         |         |         | Day's Low 1151.62 |         |         |         |
| Apr 10             | Apr 9   | Apr 8   | Apr 7   | Apr 6             |         |         |         |
| 1155.74            | 1140.88 | 1143.45 | 1156.82 | 1155.59           |         |         |         |

Base value 100 (parities)

was hidden by a recent change in the trading system. Alcatel was also active, falling FF6 to FF619 on profit-taking after last week's gains. There were concerns that Alcatel's earnings would not grow as strongly in 1992 compared with 1991. After the close, Alcatel said it planned to sell 2m existing shares via American Depositary Shares in the US.

LVMH dropped FF116 to FF4,373 on reports that the company had confirmed in a letter to shareholders that sales of its luxury items in Japan were slowing down.

STOCKHOLM closed lower in thin trading. The Affarvärlden general index fell 5.2 to

670.4 as turnover declined to SKr359m from SKr568m.

Shares in Gota soared after its majority owner Trygg-Hansa unveiled a full bid for the banking group through a share swap. Gota A jumped SKr6 to SKr23 but Trygg-Hansa B free fell SKr11 to SKr79 as investors worried about the financial implications of Trygg-Hansa's involvement in Gota.

The construction and real estate index jumped 3.8 per cent on the weekend news that the government plans to scrap a tax on commercial real estate.

MILAN closed little changed in dull trading. The Comit index eased 0.37 to 500.79 in turnover estimated at less than Friday's L29bn. Most monthly call options, which expired yesterday, were not taken up.

Smaller stocks were active. Gemina, whose RCS Editore publishing unit reported a lower-than-expected L50bn in 1991 net profit, lost L10 to L1.65 while the engineering group Focchi rose L30 to L12,990 on news of a 50 per cent rise in

net profit to L21.1bn.

ZURICH fell in late trading. The SMI index closed down 7.4 at 1,840.6.

The chemical sector was active: Roche certificates declined SFr30 to SFr3,110, while Ciba-Geigy, which reported a 17 per cent increase in first quarter group sales, saw its bearers lose SFr30 to SFr3,430 and certificates fall SFr10 to SFr3,450.

Banks were generally stronger: CS Holding bearers gained SFr45 to SFr1,900 and Union Bank added SFr100 to SFr3,350.

AMSTERDAM was barely changed in the absence of corporate news. The CBS Tendency index closed up 0.3 at 124.9 in turnover of FF 426.6m.

An earthquake yesterday, which caused some devastation in northern Europe, had its epicentre near DSM's main chemical plant. However, the group reported that there was no damage to the facility and the shares rose 10 cents to FF107.80.

VNU, which said sales in 1992 so far showed little

improvement from the previous year, slipped 80 cents to F181.10. After the market closed it said that it was planning an expansion programme.

Other publishers were strong: Elsevier gained 70 cents to F114.20 and Wolters Kluwer was up 80 cents at F171.70.

Unilever was active with analysts noting a switch out of its UK shares into the Dutch paper. It closed F12 ahead at F184.20.

MADRID fell back after its strong performance last Friday. The general index fell 2.17 to 2,475.7 in low turnover of some Ptas7bn. March inflation figures, in line with expectations, had little effect on sentiment. Union Fenosa was actively traded, falling Ptas1 to Ptas57, after a negative analysts meeting last week.

BRUSSELS closed flat in quiet trading. The Bel20 index closed up 0.14 to 1,178.91 in low turnover of BFr550m.

ISTANBUL rose on selective buying. The index rose 41.88 to 4,027.84.

still below \$2.25 per share offered by Cycle and Carriage and Hotel Properties.

TAIWAN extended its early declines to finish lower on weak financials. The weighted index finished 83.18 or 1.8 per cent lower at 4,405.44 as turnover rose to T\$18.96bn from T\$13.2bn.

KUALA LUMPUR closed lower on a lack of follow-through support. The composite index fell 3.80 to 587.51, after an early high of 573.94.

NEW ZEALAND failed to build on early gains, closing only slightly up. The NZSE 40 index closed at 1,392.39, up 6.03, in low turnover of NZ\$12m.

MANILA ended marginally higher in listless trading, due to a severe power shortage in the city. The composite index crept up 1.26 to 1,136.09.

BOMBAY fell ahead of a local holiday. The BSE index fell 143.41 or 3.3 per cent to 4,163.02.

ASIA PACIFIC

# Tokyo resumes its decline after Friday's brief rally

Tokyo

SHARE prices erased their initial gains as arbitrage-related selling emerged, and the Nikkei average, which had rallied on bargain-hunting last Friday, closed down 3.4 per cent, writes Emma Terazono in Tokyo.

The 225-issue average lost 614.01 to 17,386.65. The index firmed in the morning, hitting the day's high of 17,398.38 on buying by dealers and investment trusts, heartened by last Friday's 7.6 per cent jump. However, small- and mid-cap unwinding and profit-taking depressed the average to the day's low of 17,153.25 in the afternoon.

Volume fell to 390m shares from 380m. Declines narrowly led advances by 486 to 484 with 154 issues unchanged. The Tokyo index of all first section stocks declined 12.85 to 1,269.61. In London, the ISE/Nikkei 50 index

declined 8.6 to 1018.97.

Traders said that last Friday's jump in the Nikkei was prompted by rumours that the ministry of finance had advised life insurers and trust banks to restrict lending of shares for short-selling purposes. Investors, who had sold bank shares short, rushed to buy back on fears of these lending restrictions.

Financials, which were sought in early trading, closed mixed. Industrial Bank of Japan rose Y50 to Y1,610, while Sumitomo Bank lost Y50 to Y1,290. Mr David Atkinson, financial analyst at Salomon Brothers in Tokyo, said since the average price-to-book ratios of the Japanese commercial banks were currently at 177 per cent against the 1974-83 average of 175 per cent, Japanese bank shares were fairly valued. "They are now internationally comparable," he added.

Construction stocks fell

across the board as dealers, who were seen bargain-hunting earlier in the day, took their profits in the afternoon. Shimizu lost Y54 to Y996 and Nishimatsu Construction fell Y50 to Y1,010.

Sega Enterprises, the video game maker, fell by its daily limit of Y1,000 to Y8,950. Reports that the company has been ordered by a US federal district court to pay over \$30m in damages for its alleged patent infringement on a colour display technology, discouraged investors.

High-technology issues, higher last week, fell on profit-taking. NEC lost Y16 to Y984 and Sony fell Y150 to Y4,060.

Despite the overall market weakness, most industrial blue chips have remained above the mid-March lows, and analysts believe the share prices of leading manufacturing companies are bottoming out.

Some speculative stocks were sought by short-term

players, and Nippon Carbon rose Y13 to Y551.

In Osaka, the OSE average lost 144.41 to 19,105.36 in volume of 10.4m shares.

Roundup

TOKYO'S renewed decline wiped out any early gains in the Pacific Rim.

HONG KONG finished lower on a lack of buying interest. The Hang Seng index closed down 31.97 at 4,889.14 after touching a day's high of 4,941.11 in the morning. Turnover fell to HK\$1.5bn from HK\$2.5bn. Most actively traded was HSBC Holdings which finished 25 cents higher at HK\$39.50.

SEKOL ended slightly higher on rumours that the government and Hyundai Group were looking for some kind of compromise. The composite index rose 2.06 to 578.19 in turnover of Won200.5m after Saturday's half-day Won164.8bn.

AUSTRALIA was unable to hold on to early gains and headed downwards as soon as Tokyo resumed its decline. The All-Ordinaries index closed 12 lower at 1,567.1, above the day's low of 1,567.1, in turnover of A\$12.2m. Government indications of an interest rate cut after the release of the March quarter consumer price data later this month failed to support the equity market, although credit markets rallied on the news.

SINGAPORE closed mostly lower in thin trading. The Straits Times industrial index closed 7.06 lower at 1,573.86 in volume of 26.4m shares, down from 38.6m.

Interest centred on shares involved in a takeover bid for Malayan Credit. Cycle and Carriage and Hotel Properties, which are jointly trying to acquire Malayan Credit, rose 5 and 7 cents each to \$8.75 and \$8.11 respectively. Malayan Credit rose 5 cents to \$8.17.

# European markets vault on poll results

MARKETS IN PERSPECTIVE

|              | % change in local currency |         |         |               | % change in US \$ |               |               |
|--------------|----------------------------|---------|---------|---------------|-------------------|---------------|---------------|
|              | 1 Week                     | 4 Weeks | 1 Year  | Start of 1992 | Start of 1992     | Start of 1992 | Start of 1992 |
| Austria      | -3.10                      | -5.04   | -20.59  | +7.74         | +5.57             | +0.47         |               |
| Belgium      | -0.88                      | -2.65   | -4.87   | +2.82         | +1.36             | -4.41         |               |
| Denmark      | -0.14                      | -5.42   | -7.52   | -7.89         | -8.74             | -19.96        |               |
| Finland      | -0.86                      | -1.11   | -31.57  | +3.41         | +2.33             | -3.62         |               |
| France       | +0.98                      | +1.34   | +9.26   | +11.74        | +10.77            | +4.43         |               |
| Germany      | +0.62                      | -0.03   | +5.76   | +10.14        | +8.33             | +2.12         |               |
| Ireland      | +5.04                      | -0.35   | -5.31   | +2.72         | +2.26             | -3.60         |               |
| Italy        | -1.85                      | -1.89   | -13.83  | +0.71         | -0.47             | -6.17         |               |
| Netherlands  | +1.30                      | +0.72   | +6.28   | +7.44         | +5.56             | -0.41         |               |
| Norway       | -1.87                      | -0.75   | -15.29  | +0.35         | +0.68             | -3.36         |               |
| Spain        | -0.15                      | -4.22   | -6.84   | +2.11         | +2.46             | -3.38         |               |
| Sweden       | +0.55                      | -0.15   | -2.91   | +9.16         | +8.22             | +2.04         |               |
| Switzerland  | +0.72                      | +2.75   | +9.05   | +9.54         | +4.39             | -1.58         |               |
| UK           | +7.92                      | +3.76   | +1.34   | +3.70         | +3.70             | -2.23         |               |
| EUROPE       | +3.43                      | +1.44   | +1.57   | +8.97         | +4.55             | -1.07         |               |
| Australia    | +1.26                      | +0.31   | +9.46   | -4.55         | +1.70             | -4.12         |               |
| Hong Kong    | -0.01                      | -3.14   | +31.58  | +15.33        | +23.06            | +16.02        |               |
| Japan        | -2.91                      | -12.22  | -34.37  | -25.59        | -25.75            | -29.98        |               |
| Malaysia     | -2.19                      | -5.03   | -6.75   | +15.04        | +8.46             | +8.46         |               |
| New Zealand  | -0.74                      | -4.89   | -0.29   | -9.85         | -3.76             | -9.26         |               |
| Singapore    | +0.10                      | -5.45   | -3.57   | -7.79         | -4.04             | -8.52         |               |
| Canada       | -0.20                      | -2.23   | -3.95   | -3.42         | -0.15             | -5.88         |               |
| USA          | +0.56                      | -0.89   | +8.78   | -3.08         | +2.82             | -3.06         |               |
| Mexico       | -4.17                      | -0.98   | +104.07 | +17.85        | +23.91            | +16.82        |               |
| South Africa | -2.85                      | -3.85   | +15.05  | -1.80         | -3.47             | -3.99         |               |
| WORLD INDEX  | +0.34                      | -3.32   | -7.91   | -7.44         | -5.23             | -10.85        |               |

† Based on April 10th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By John Pitt

A WEEK is a long time in politics and last week was no exception, with elections in Italy, Germany and the UK each having an impact on their respective markets. But Japan remained a dark shadow in the corner ready to spring yet another surprise.

Having slipped to a five-year low at the beginning of the week, Tokyo then fell even further before picking up 7.6 per cent on Friday. The effect on the FT Actuaries World Index, however, was partly offset by a stronger Wall Street, which was given a boost by a cut in the federal funds rate, and firm European bourses.

One of the exceptions to the positive sentiment in Europe was Austria. The resurgence of conflict in Yugoslavia and some bad corporate results depressed investors.

OMV, the oil group, came under pressure as concerns over its exposure to Libya, which faces the imposition of UN sanctions. Another market

leader, Universale, the construction group, also fell back after reporting losses in its Venezuelan division.

Ireland was strong last week, although most of the gains came after the UK election results on Friday. However, a strike at the country's four main clearing banks, which appeared to be moving in favour of the employers, and better-than-expected results from Waterford Wedgwood, the crystal and ceramics group, also helped.

Mexico continued the previous week's decline as investors remained nervous following the postponement of talks on the North American Free Trade Agreement. Money was also being moved from equities into Treasury bonds after the raising of interest rates.

The UK market responded to the Conservative party's return to government with a rally on Friday that was the biggest rise in a single day since the market crash of October 1987. For the political posters, however, it was not a day for celebration - they had all got their forecasts wrong.

# FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY APRIL 13 1992                                 |                 |                |                      |           |          |                      |                    |                 |                 | FRIDAY APRIL 10 1992 |           |          |                      |                    |                 |                 |                      |           |          | DOLLAR INDEX         |                    |          |           |                   |
|-------------------------------|--|-----------------|----------------|----------------------|-----------|----------|----------------------|--------------------|-----------------|-----------------|----------------------|-----------|----------|----------------------|--------------------|-----------------|-----------------|----------------------|-----------|----------|----------------------|--------------------|----------|-----------|-------------------|
|                               | Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | 1992 Low | 1992 High | Year ago (approx) |
| Australia (89)                |  | 143.35          | -0.9           | 120.85               | 120.74    | 123.31   | 124.65               | -0.9               | 4.42            | 144.84          | 121.56               | 121.46    | 123.02   | 126.02               | 132.68             | 103.68          | 140.94          | 137.18               |           |          |                      |                    |          |           |                   |
| Austria (19)                  |  | 155.29          | -1.2           | 139.11               | 139.22    | 142.18   | 141.67               | +0.2               | 2.06            | 157.32          | 140.63               | 140.51    | 142.32   | 141.37               | 128.70             | 122.82          | 144.70          | 142.30               |           |          |                      |                    |          |           |                   |
| Belgium (46)                  |  | 135.67          | -1.5           | 114.35               | 114.43    | 116.87   | 114.09               | -0.1               | 5.33            | 137.87          | 115.93               | 115.85    | 117.35   | 114.15               | 145.19             | 135.87          | 142.93          |                      |           |          |                      |                    |          |           |                   |
| Canada (115)                  |  | 128.53          | +0.3           | 108.27               | 108.34    | 110.54   | 110.52               | +0.3               | 3.32            | 128.31          | 107.74               | 107.74    | 109.13   | 110.24               | 142.12             | 125.75          | 138.79          |                      |           |          |                      |                    |          |           |                   |
| Denmark (35)                  |  | 220.30          | +0.2           | 193.84               | 193.96    | 198.10   | 200.31               | +1.4               | 4.88            | 220.88          | 193.19               | 193.03    | 195.51   | 197.51               | 273.54             | 226.51          | 245.76          |                      |           |          |                      |                    |          |           |                   |
| Finland (15)                  |  | 74.56           | -0.8           | 62.75                | 62.80     | 64.13    | 70.23                | +0.3               | 2.08            | 75.27           | 63.26                | 63.21     | 64.02    | 70.02                | 88.80              | 72.64           | 124.58          |                      |           |          |                      |                    |          |           |                   |
| France (108)                  |  | 154.72          | -1.5           | 130.22               | 130.31    | 133.08   | 136.97               | -0.5               | 3.38            | 157.11          | 132.05               | 131.93    |          |                      |                    |                 |                 |                      |           |          |                      |                    |          |           |                   |
| Germany (65)                  |  | 116.52          | -1.1           | 99.75                | 99.84     | 101.94   | 101.23               | +0.0               | 2.26            | 119.80          | 100.71               | 100.64    | 101.91   | 101.91               | 122.22             | 114.67          | 120.58          |                      |           |          |                      |                    |          |           |                   |
| Hong Kong (55)                |  | 203.17          | -0.7           | 171.00               | 171.12    | 174.76   | 201.70               | -0.7               | 4.01            | 204.81          | 171.87               | 171.82    | 174.04   | 203.15               | 210.81             | 176.35          | 151.67          |                      |           |          |                      |                    |          |           |                   |
| Ireland (16)                  |  | 158.31          | -2.1           | 133.24               | 133.34    | 136.17   | 137.99               | -0.7               | 3.73            | 161.77          | 135.97               | 135.85    | 137.63   | 138.98               | 173.18             | 137.16          | 166.88          |                      |           |          |                      |                    |          |           |                   |
| Italy (77)                    |  | 135.27          | -1.5           | 98.58                | 98.78     | 100.03   | 64.92                | -0.3               | 3.55            | 130.74          | 96.56                | 96.40     | 60.17    | 65.13                | 80.68              | 69.92           | 81.92           |                      |           |          |                      |                    |          |           |                   |
| Japan (14)                    |  | 83.74           | -1.4           | 78.90                | 78.90     | 79.00    | 79.00                | -0.1               | 2.77            | 107.16          | 78.90                | 78.90     | 79.00    | 79.00                | 84.05              | 79.00           | 77.21           |                      |           |          |                      |                    |          |           |                   |
| Malaysia (58)                 |  | 229.88          | -1.0           | 194.93               | 194.92    | 197.73   | 225.76               | -0.9               | 2.83            | 232.31          | 195.25               | 195.08    | 197.27   | 199.28               | 250.18             | 212.49          | 249.85          |                      |           |          |                      |                    |          |           |                   |
| Mexico (18)                   |  | 1672.83         | +2.9           | 1407.96              | 1409.01   | 1438.92  | 5006.74              | +2.9               | 1.07            | 1625.23         | 1365.95              | 1364.81   | 1382.34  | 5451.20              | 1768.77            | 1376.91         | 855.90          |                      |           |          |                      |                    |          |           |                   |
| Netherlands (23)              |  | 151.43          | -0.4           | 127.47               | 127.57    | 130.28   | 128.78               | -0.7               | 4.32            | 152.08          | 127.81               | 127.81    | 128.34   | 127.95               | 146.68             | 147.88          | 149.58          |                      |           |          |                      |                    |          |           |                   |
| Norway (23)                   |  | 151.43          | -0.4           | 127.47               | 127.57    | 130.28   | 128.78               | -0.7               | 4.32            | 152.08          | 127.81               | 127.81    | 128.34   | 127.95               | 146.68             | 147.88          | 149.58          |                      |           |          |                      |                    |          |           |                   |
| Norway (23)                   |  | 164.67          | -1.6           | 139.80               | 139.70    | 138.81   | 141.79               | -0.4               | 6.59            | 163.33          | 135.83               | 135.83    | 138.25   | 141.82               | 48.42              | 40.01           | 49.89           |                      |           |          |                      |                    |          |           |                   |
| Singapore (38)                |  | 197.23          | -0.8           | 168.00               | 168.12    | 169.55   | 169.00               | -0.4               | 2.16            | 197.16          | 167.05               | 167.05    | 168.00   | 168.00               | 146.26             | 168.00          | 177.21          |                      |           |          |                      |                    |          |           |                   |
| South Africa (61)             |  | 227.58          | +0.5           | 191.83               | 191.67    | 195.73   | 198.19               | -0.4               | 2.06            | 226.52          | 190.39               | 190.22    | 192.66   | 199.67               | 263.60             | 203.25          | 204.29          |                      |           |          |                      |                    |          |           |                   |
| Spain (50)                    |  | 148.10          | -2.0           | 124.65               | 124.75    | 127.39   | 115.90               | -0.9               | 5.29            | 150.12          | 127.01               | 126.91    | 126.93   | 117.00               | 140.47             | 146.66          | 163.94          |                      |           |          |                      |                    |          |           |                   |
| Sweden (16)                   |  | 171.62          | -1.7           | 152.87               | 152.98    | 155.23   | 160.25               | -1.2               | 2.82            | 184.08          | 155.34               | 155.22    | 157.21   | 162.25               | 190.37             | 159.09          | 159.54          |                      |           |          |                      |                    |          |           |                   |
| Switzerland (60)              |  | 97.33           | -1.5           | 81.92                | 81.93     | 83.33    | 92.32                | -0.5               | 4.68            | 98.78           | 83.02                | 82.95     | 84.05    | 92.33                | 104.22             | 95.99           | 92.33           |                      |           |          |                      |                    |          |           |                   |
| United Kingdom (226)          |  | 162.29          | +0.8           | 153.43               | 153.53    | 156.79   | 153.43               | +0.7               | 4.86            | 161.20          | 162.29               | 162.15    | 154.11   | 152.29               | 169.29             | 165.85          | 162.78          |                      |           |          |                      |                    |          |           |                   |
| USA (523)                     |  | 165.42          | +0.5           | 139.23               | 139.34    | 142.24   | 165.42               | +0.5               | 2.98            | 164.88          | 138.41               | 138.40    | 140.07   | 164.68               | 175.58             | 160.02          | 154.46          |                      |           |          |                      |                    |          |           |                   |
| Europe (781)                  |  | 145.41          | -0.5           | 122.39               | 122.48    | 125.06   | 124.62               | -0.2               | 3.94            | 144.11          | 122.80               | 122.70    | 124.28   | 124.36               | 155.58             | 139.31          | 145.40          |                      |           |          |                      |                    |          |           |                   |
| Nordic (98)                   |  | 170.15          | -0.9           | 143.21               | 143.32    | 146.36   | 143.06               | -0.1               | 2.26            | 171.63          | 144.25               | 144.13    | 145.96   | 143.82               | 168.92             | 169.66          | 164.70          |                      |           |          |                      |                    |          |           |                   |
| Pacific Basin (717)           |  | 99.29           | -1.3           | 83.57                | 83.63     | 85.41    | 84.06                | -1.1               | 1.50            | 100.63          | 84.58                | 84.51     | 85.95    | 85.01                | 101.97             | 94.40           | 144.87          |                      |           |          |                      |                    |          |           |                   |
| Pacific Basin (717)           |  | 99.29           | -1.3           | 83.57                | 83.63     | 85.41    | 84.06                | -1.1               | 1.50            | 100.63          | 84.58                | 84.51     | 85.95    | 85.01                | 101.97             | 94.40           | 144.87          |                      |           |          |                      |                    |          |           |                   |
| Pacific Basin (717)           |  | 99.29           | -1.3           | 83.57                | 83.63     | 85.41    | 84.06                | -1.1               | 1.50            | 100.63          | 84.58                | 84.51     | 85.95    | 85.01                | 101.97             | 94.40           | 144.87          |                      |           |          |                      |                    |          |           |                   |
| North America (563)           |  | 163.10          | +0.4           | 137.28               | 137.40    | 140.06   | 140.06               | +0.4               | 2.70            | 163.10          | 137.28               | 137.28    | 138.22   | 140.23               | 146.21             | 113.50          | 143.34          |                      |           |          |                      |                    |          |           |                   |
| North America (563)           |  | 163.10          | +0.4           | 137.28               | 137.40    | 140.06   | 140.06               | +0.4               | 2.70            | 163.10          | 137.28               | 137.28    | 138.22   | 140.23               | 146.21             | 113.50          | 143.34          |                      |           |          |                      |                    |          |           |                   |
| Europe Ex. UK (563)           |  | 123.26          | -1.3           | 103.76               | 103.85    | 106.07   | 107.91               | -0.2               | 3.25            | 124.67          | 104.54               | 104.48    | 106.23   | 106.11               | 128.79             | 121.91          | 122.87          |                      |           |          |                      |                    |          |           |                   |
| Pacific Ex. Japan (244)       |  | 153.85          | -0.8           | 129.58               | 129.69    | 132.44   | 136.75               | -0.8               | 3.88            | 155.15          | 130.40               | 130.31    | 131.96   | 137.79               | 155.33             | 149.40          | 138.13          |                      |           |          |                      |                    |          |           |                   |
| World Ex. US (1702)           |  | 120.33          | -0.8           | 101.44               | 101.53    | 103.68   | 103.14               | -0.4               | 2.71            | 121.80          | 102.12               | 102.04    | 103.33   | 103.54               | 146.91             | 116.45          | 146.12          |                      |           |          |                      |                    |          |           |                   |
| World Ex. US (1702)           |  | 120.37          | -0.8           | 101.44               | 101.53    | 103.68   | 103.14               | -0.4               | 2.71            | 121.80          | 102.12               | 102.04    | 103.33   | 103.54               | 146.91             | 116.45          | 146.12          |                      |           |          |                      |                    |          |           |                   |
| World Ex. So. Af. (214)       |  | 134.15          | -0.3           | 112.96               | 112.97    | 115.19   | 115.19               | -0.3               | 3.56            | 134.15          | 112.96               | 112.96    | 114.15   | 114.15               | 122.01             | 105.00          | 130.04          |                      |           |          |                      |                    |          |           |                   |
| World Ex. Japan (1752)        |  | 157.82          | +0.1           | 132.66               | 132.78    | 135.60   | 147.35               | +0.3               | 3.36            | 157.81          | 132.38               | 132.38    | 133.69   | 146.91               | 151.95             | 150.24          | 150.65          |                      |           |          |                      |                    |          |           |                   |